Philippines

A MARKET FOR U.S. PRODUCTS

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A Market for U.S. Products in the Philippines

A U. S. DEPARTMENT OF COMMERCE PUBLICATION

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Foreword

Annual sales of U.S. exports in the Philippines currently are averaging $300 million out of a total import market of more than $700 million. In the next five years total annual Philippine imports probably will reach $1 billion.

Opportunities for U.S. exporters to share in this rising and profitable market are growing, particularly in the categories of machinery and equipment, raw materials, and manufactured goods.

This book surveys the present and future Philippine markets broadly and in detail and provides the latest information available on prospects for growth in U.S. sales as well as on particular problems.

Competition for this market is increasing steadily, partly because of the decline in tariff preferences previously accorded U.S. goods under the Revised United States-Philippine Trade Agreement. Also, new and expanding Philippine industries, protected by tariffs, are cutting into some imports of U.S. consumer goods which sold well in the past.

Despite these changing circumstances, the business outlook is good for U.S. exporters in the Philippines, whether they are seeking their first sales in this expanding market or planning to increase their business there.

We hope this survey will help to open the door to these new sales opportunities.

This book was prepared by Kenneth A. Guenther of the Bureau of International Commerce under the direction of Saul Baran, Director, Far Eastern Division, and Floyd Dubas, Chief of the Philippines-Indonesia-Malaysia Section. It is based

largely on a 5-week fact-finding trip in the Philippines. Interviews and factory visits were conducted in eight Philippine cities with Filipino and foreign businessmen, bankers, and appropriate Philippine Government officials. Mr. Guenther also has drawn on despatches and reports prepared by the American Embassy in Manila and the American Consulate in Cebu, and on official and unofficial Philippine publications.

Embassy and Consular officials providing valuable assistance include Maurice F. W. Taylor, Economic Counselor; Joseph Rand, Commercial Attache; and Leslie Scott and F. Pierce Olson, Commercial Officers, in Manila; and Lyle F. Lane, American Consul; James McNamara, American Vice Consul; and Benjamin Sevilla, Commercial Officer, at the American Consulate in Cebu. Miss Joyce Bachmann of the Far Eastern Division compiled the statistics, tables, and charts.

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May 1965

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Philippines Market Indicators

ECONOMY: Based on agriculture, logging, and mining. Manufacturing sector expanding rapidly. Export-import trade, centered in Manila, the capital, is important to economy.

GEOGRAPHY: Island archipelago located in Western Pacific. Land area of 115,707 square miles distributed over more than 7,000 islands. Eleven islands account for 94% of total land area. Characterized by extensive valleys, plateaus, low marshlands, and coastal plains. Arable land accounts for one-third of total land area; forest covers one-half. Elevations range from sea level to 10,000 feet. Climate hot and humid the year around; rainfall generally abundant.

POPULATION: Estimated at more than 30 million, growing at high rate of 3.3% a year. Dominant racial stock is Malay; Chinese, Americans, Spanish are largest minority groups. Labor force of 11 million. Predominant religion: Roman Catholicism. Official languages: English, Tagalog.

INCOME: GNP estimated in excess of $4 billion; average per capita income $130.

CURRENCY: Philippine peso (P) valued at approximately P3.9 = US$1. Relatively stable since 1962 devaluation. Par value yet to be established.

FOREIGN INVESTMENT: U.S. direct investment as of December 1963—$415 million, up $40 million from 1962. U.S. firms enjoy "parity" rights through 1974, nondiscriminatory business treatment.

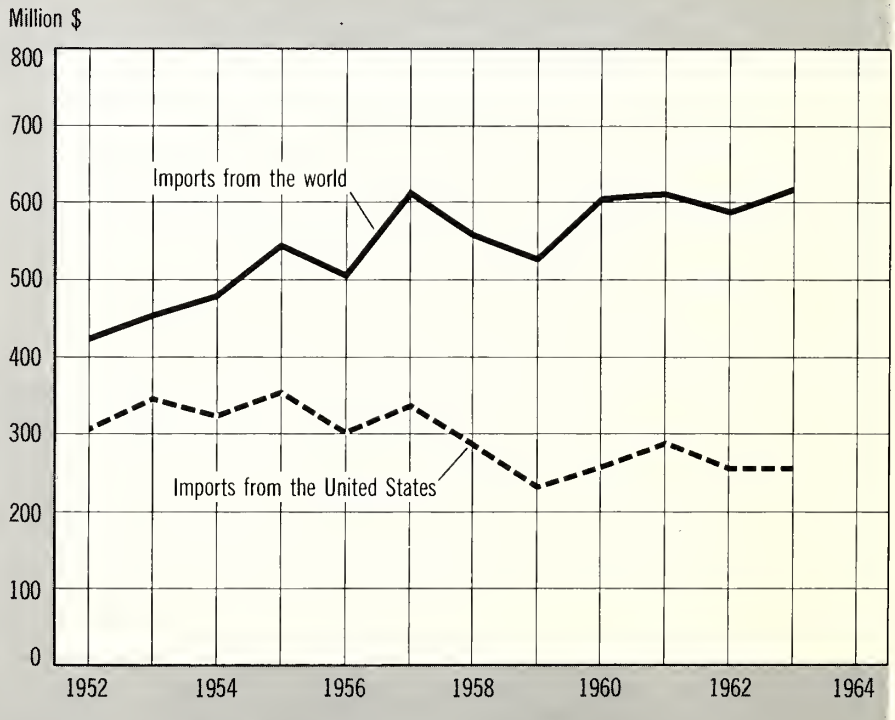
FOREIGN TRADE: Total imports, 1963—$618.2 million, of which $253.7 came from the United States, $104.9 million from Japan, $34.1 million from West Germany, $31.8 million from United Kingdom. Total exports, 1963—$727.1 million, of which $330.4 million went to the United States, $198.3 million to Japan, $69.6 million to Netherlands and $53.3 million to West Germany. (These figures are from Philippine sources.)

PRINCIPAL IMPORTS: Machinery, transport equipment, mineral fuels, base metals, dairy products, textile fibers, cereals, textile yarns and fabrics, and paper.

PRINCIPAL EXPORTS: Coconut products, sugar, logs and lumber, abaca, copper concentrates, pineapples, plywood and veneers, and iron ore.

Philippine Imports from the World and from the United States, 1952-63

(Millions of U.S. dollars)



Source: Central Bank of the Philippines, Manila, the Philippines, Statistical Bulletin, Vol. XV, No. 4, December 1963, p. 161.

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a
preference
market for
U.S. GOOD
THE PHILIPPINES

Chapter 1

THE PHILIPPINES IS ONE of the largest markets for U.S. goods and services in the Far East. This market was developed during a half century of U.S. rule and has continued to grow since the Philippines became independent in 1946. United States exports to this market currently average $300 million annually. (Figure is derived from Central Bank of the Philippines statistics.)

The Philippines is also the only market in which U.S. goods enjoy tariff preferences over the goods of all other suppliers. These special preferences arise from the provisions of the Revised United States-Philippine Trade Agreement of 1955 (the Laurel-Langley Agreement) by which each country accords the other preferential market access. In the years ahead, these strong trading ties face readjustments, as the tariff preferences have been reduced to an almost insignificant level economically.

The opportunities which the Philippine market presents U.S. exporters are expected to continue to grow as the Philippine economy expands and diversifies. The country's imports, which exceeded $600 million in 1963 and apparently rose to more than $700 million in 1964, are expected to climb to $1 billion within the next 5 years. The United States held 41% of the 1963 market. Although its market share is expected to decline slightly in the next 5 years, the value of its exports over the long term is expected to rise.

This increase is expected despite several developments which are bringing about a change in the once very favorable position of the U.S. supplier. One of these—the phasing out of tariff preferences—has already been mentioned. Others are:

1. The substantial increases in Philippine tariffs by four different executive orders since 1962. The restrictive effect of these tariff increases on commodity lines important to the U.S. supplier is becoming increasingly evident. A fifth major tariff adjustment is now being considered by Philippine authorities.

2. Devaluation of the peso in early 1962, which increased the costs of all imports. This action narrowed the competitive market for many higher priced U.S. goods. Furthermore, it stimulated new domestic industries using local materials to make products which substituted for imports.

3. Reemergence of Japan and Western Europe (particularly West Germany and the United Kingdom) as major and highly competitive suppliers of machinery and other manufactured goods during the period when Philippine tariff preferences on U.S. goods were declining. A degree of reorientation to these suppliers was inevitable.

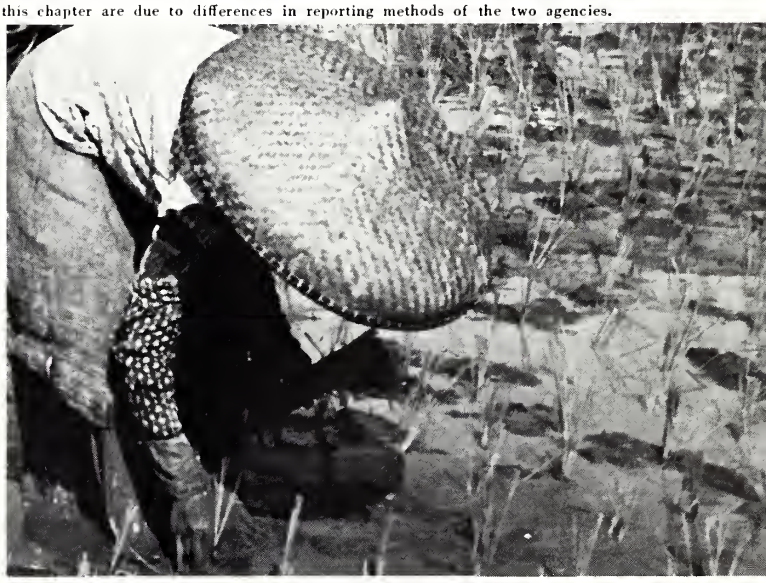
4. Increasingly intense international credit competition.

Moreover, high shipping rates hamper U.S. suppliers. Since Philippine customs levy an import duty on the c.i.f. value of a shipment, duties on goods shipped from the United States are somewhat higher than those on similar articles shipped from Japan, Western Europe, or Australia.

Despite these factors adverse to the sale of U.S. goods, U.S. trade with the Philippines is healthy and U.S. suppliers enjoy many advantages in the growing market in these Islands. The U.S. Census Bureau places the value of U.S. exports to the Philippines in 1964 at $360.3 million, an increase of 12% over the 1963 total of $322.9 million.[1] A slight trade drop is expected in 1965 since the preferential tariff accorded U.S. suppliers declined to only 10% effective January 1, 1965. Across-the-board tariff preferences accorded U.S. suppliers in 1961 were 50%.

The major products exported by the United States to the Philippines in 1963 were machinery, transport equipment, chemical specialties, dairy products, grains and preparations, raw cotton, cotton manufactures, paper and products, manmade fibers, drugs, chemicals, plastics, and metal manufactures. A more complete

[1] Differences between the U.S. Bureau of the Census figures and those published by the Central Bank of the Philippines as shown in the charts in this chapter are due to differences in reporting methods of the two agencies.



list of U.S. exports of domestic merchandise to the Philippines is presented in table 1.[2]

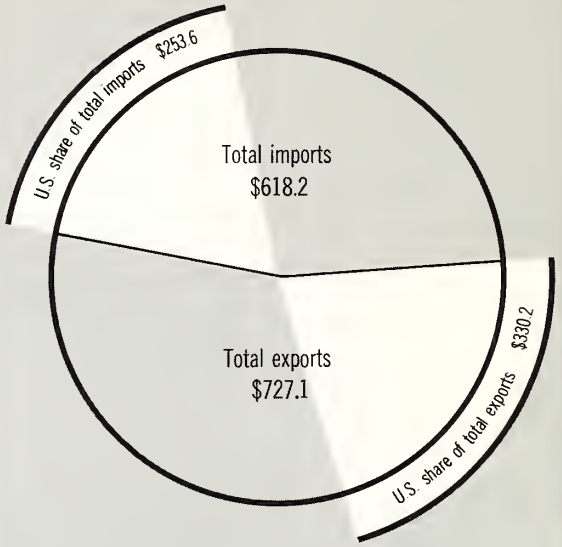
Working in the favor of U.S. exporters to the Philippines is their country's long history of close political, economic, and commercial ties with the Philippines. This included many years of free trading relations during which the Philippine economy became oriented towards the United States. As a result, U.S. brand names are well known, channels of supply and distribution are well established, the image of the United States and its products is favorable, and U.S. products are preferred if the prices are not too far out of line with those of other foreign manufacture. Willingness to pay up to 15% more for U.S. products has been cited.

Another favorable factor for U.S. products arises from the close orientation of the Philippine educational system with that of the United States. A large number of Filipinos have been educated in the United States, many of them in professional and technical fields, such as law, medicine, economics, business administration, and engineering. This has brought many of the country's leaders into close contact with the U.S. way of life, as well as with U.S. business, industrial, and engineering techniques.

[2] United States imports from the Philippines also have reached record levels. In 1964, these imports rose to $387.2 million, a $30-million increase over the 1963 level. United States purchases from the Philippines have increased at least $10 million a year for the past 5 years, and the balance of trade has been in the favor of the Philippines for four of these years. The declining trade preferences accorded the Philippines in the U.S. market in 1965 and the years following may adversely affect future imports. U.S. imports from the Philippines, 1961-63, are shown in table 2.

Foreign Trade of the Philippines, 1963

(Millions of U.S. dollars)



Source: Central Bank of the Philippines, Manila, the Philippines, Statistical Bulletin, Vol. XV, No. 4, December 1963, p. 161.

United States sales efforts also are strengthened by the large U.S. investment base in the Philippine economy. United States firms have invested more than $400 million in the Philippines. Many of these firms prefer to buy U.S. products, particularly if most of their export sales are made in the U.S. market, as is the case in the sugar industry and certain segments of the lumber industry. No U.S. competitors have this investment advantage. United States direct investment in the Philippines by major industry, and net capital outflows and undistributed subsidiary earnings for the years 1954-63 are shown in table 3.

Other factors working to the advantage of the U.S. supplier are the generally good U.S. delivery terms (particularly in machinery lines) and the U.S. way of doing business. As a British purchasing engineer employed by one of the largest mining firms in the Philippines noted, "U.S. suppliers are concise; we know what we are getting."

Until recently, U.S. delivery terms generally have been more favorable than those offered by other major

SUGAR CENTRAL: Sugar planters and millers modernize plants and buy new equipment with record expart earnings.

MIA: Americans at the Manila International Airport enter the Philippines to see for themselves and remain to trade.

suppliers except the Japanese. The lead over European suppliers is rapidly being reduced as they catch up with backlogs of orders, particularly in machinery lines, but the United States still seems to have a competitive advantage. However, in certain equipment lines—heavy machinery, tractors, and logging equipment, among others—Philippine demand has been so great for certain well known U.S. makes that delivery dates are being advanced.

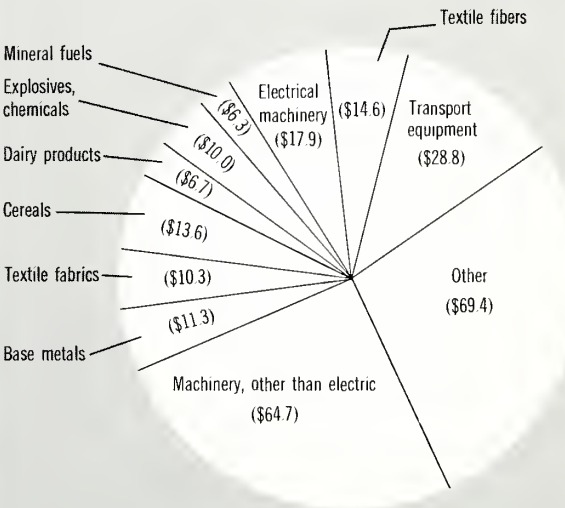
A factor that seems to have relatively little effect on the U.S. sales position is the servicing of equipment. Primarily, this is so because almost all major suppliers are negligent in this respect. However, U.S. machinery and equipment exporters could improve their competitive position if they supplied more spare parts, particularly outside the Manila area.

The U.S. exporter has the support of his Government in his efforts to increase sales in the Philippine market. The U.S. Government has mounted a vigorous trade promotional campaign in the Philippines, spearheaded by the U.S. Department of Commerce. It has recently sent a trade mission to the islands and has opened a sample products display service at the U.S. Embassy in Manila. (See Chapter 8).

United States exporters can expect the competition in the Philippine market to intensify. Those entering the market must select sales and distribution programs carefully, promote sales actively, and attempt to meet the price and credit terms being offered by competing non U.S. suppliers. Above all, they must be prepared to make constant adjustments to rapidly changing market conditions as the tariff preferences accorded U.S. goods decline and third country competition increases.

Philippine Imports from the United States, 1963

(Millions of U.S. dollars)



Source: Central Bank of the Philippines, Manila, the Philippines, Statistical Bulletin, Vol. XV, No. 4, December 1963, pp. 195-202.

Chapter 2

MARKET FOR.....

Consumer goods have a large and growing market in the Philippines. Private consumption expenditures totaled more than $3.2 billion in 1962 and accounted for 80.1% of total gross national expenditures. Much of the effective demand for consumer goods is satisfied by local production, which supplies the needs of the average Filipino consumer for most of the affordable necessities and small luxuries of life —cooking oil, soap, simple farm instruments, handtools and other hardware items, textile goods, paper and pencils for children, kitchen utensils, certain drug items, beauty aids such as cosmetics and hairpins, cigarettes and beer, and some toys. Accordingly, consumer goods imports represent a relatively small share of total Philippine imports. In 1963, they accounted for only one-seventh or less than $100 million of total imports of $618.2 million (see table 4). Consumer staples, including rice and wheat, dairy products, canned fish, textile yarns and fabrics, accounted for a high percentage of this share.

United States exports to the Philippines show a composition somewhat like the total import pattern. In 1963, U.S. shipments totaled $322 million. Consumer goods made up $80 million of this amount and included textile fabrics valued at $32 million; food and food products valued at $15 million; drugs valued at $6.3 million; and a scattering of other products—beverages and tobacco ($215,000), animal and vegetable oils ($1.6 million), cutlery and household wares ($500,000), perfumes and cosmetics ($166,000), soaps and detergents ($1 million), paints ($1 million), glassware ($1 million), handtools ($2.5 million), furniture ($229,000), footwear ($100,000), photographic goods and developed movie film ($1.4 million), watches and clocks ($53,000), musical instruments ($455,700), toys and plastic manufactures ($756,800), stationery

($936,910), printed matter ($3.2 million), and gold and silver wares ($239,000).

The composition of the Philippine consumer goods market clearly reflects the country's dual market economy, which is comprised of a large rural population and the poor urban dwellers on the one hand and, on the other, of the much less numerous but relatively affluent upper and middle classes.

The masses in the lower income group demand quantities of essential consumer staples and dry goods, some of which are imported. This is the market of the tenant farmer buying canned milk for the baby, of the sugar harvester buying cloth and clothing for his family, and of the poor urban area inhabitant purchasing canned sardines to eat with his bowl of rice. The most sizable purchase of these consumers would be a sewing machine or a small appliance bought on credit—a transistor radio, a plow, or perhaps a bicycle. These larger purchases, for the most part, would not be imported from the United States.

Alongside this subsistence economy characterized by mass purchases of low-priced consumer nondurables is the small and highly specialized market for a wide variety of consumer goods (primarily consumer durables) generated by the higher income groups. This is the small-order market for imported sports cars; amenities of the home, including modern household appliances and communications units; beauty aids and cosmetics; books and magazines; cameras, projectors, and film.

CONSUMERS GOODS

The Philippine economy is predominantly agricultural, supporting a large rural population. However, the purchasing power of this large group is limited; the per capita income in the rural economy is only one-third to one-half as high as the per capita income elsewhere in the economy. In terms of dollars, this means few rural Filipino wage earners have as much as $100 a year to spend on consumer goods. The average rural family buys almost no imported consumer goods other than those basic staples brought in and distributed primarily by the Philippine Government through the National Marketing Corporation (NAMARCO) and other Government agencies. NAMARCO, for example, subsidizes the import and distribution of sardines and other canned fish, canned meats, canned and powdered milk, rice, and other consumer staples.

Purchasing power of the urban factory worker also is limited, even though his actual cash wage is considerably higher than that of his rural counterpart. The average daily wage paid by a progressive Philippine industry in 1963 was about P6.00 (P3.9 equals US$1), or slightly more than $1.50.

The average daily wage paid to laborers in industrial plants in Manila and suburbs is shown in table 5.

Filipinos in the upper and middle income groups generally live in the urban areas; their purchasing and shopping habits differ markedly from those of the majority of Filipinos. The supermarkets, department stores, drug stores, theaters, restaurants, nightclubs, and private clubs (for the most part in Manila) cater exclusively to this group.

The quality retail outlets servicing this segment of the society generally handle a diversity of products to satisfy the most discriminating individual tastes. (For example, a leading supermarket in a suburb of Manila stocks over 80 different brands and varieties of pickles. A wide number of brands of soups, fruit juices, wines, and other products are also offered.) Personal service to each consumer is an extremely important factor in insuring sales. Generally, market turnover for any one item is low; price markups on individual items are high.

Generally, the well-to-do urban dwellers are highly status and fashion conscious. They shop to satisfy discriminating tastes and their urge for modern living; the price of an item is seldom the overriding factor in their decision to buy. Conspicuous consumption is readily apparent in the larger Philippine cities, particularly Manila, Cebu, and Bacolod.

Since many of the higher income Filipinos have either studied in or visited the United States, they are familiar with U.S. made products; U.S. brands are popular with them. To them, the label "Made in U.S.A." connotes prestige as well as high quality. They, therefore, are excellent prospects for a wide range of U.S. products. United States suppliers, however, often do not take advantage of this predisposition for their

goods because of the small scale of the market. European producers, who traditionally have supplied small-order markets demanding individual tailoring, are more successful in exploiting these prospects for many lines of quality consumer goods.

FOOD AND TOBACCO

One of the best mass markets for imported consumer goods in the Philippines is for food products, including such important consumer staples as rice, wheat, canned sardines, dry skim milk, canned condensed milk, and other canned food. The bulk of these importations are handled through Government channels and distributed by Government retail outlets, including those of the NAMARCO and the Rice and Corn Administration. Philippine imports of selected food products by major supplying countries in 1960 and 1962-63 are given in table 6.

Canned food buyers are extremely brand conscious. Distributors, therefore, generally are reluctant to handle new brand names. If they do take on a new brand, they usually introduce it through an extensive advertising campaign utilizing newspapers, radio, and TV. Widespread ownership of transistor radios opens even the rural areas to radio advertising campaigns. Magazines and newspaper advertisements also reach the rural consumer.

Foreign competition in the canned food market is coming from Japan, Latin America, Australia, and Western Europe. Reportedly, U.S. canned goods are higher priced, in part because of steep transportation costs. Competitors are also making headway because many U.S. suppliers show unwillingness to consider small orders for specialty items. Specialty canned foods in great variety could be sold in the Philippines, although in small quantities.

As the Philippines increasingly undertake domestic food processing, food product imports will be displaced. Domestic competition in the canned condensed milk market is already being felt and will increase. Plans are also going forward for the establishment of a large meatpacking plant and fish cannery.

Canned sardines, mackerel, and similar fish are staple items in the Philippines. In 1963, canned fish imports reached $13.4 million, of which sardines, mackerel, and squid comprised $11.5 million. Maintenance of an adequate supply of these products at reasonable prices is so important economically and politically that the Government subsidizes a large part of these imports, continues to import sardines from South Africa although it complies in all other respects with the trade boycott proposed by the U.N. General Assembly against that country, and has reduced tariffs on private imports of these products.

The Government's subsidization of these imports is implemented by NAMARCO, which periodically invites public bidding. In 1964, NAMARCO's monthly purchases of sardines was 220,000 cases. About half of sardine imports ($7 million in 1962 and $5.8 million in 1963) are handled through normal commercial channels independent of NAMARCO.

The U.S. share of the canned fish market has fallen off considerably in recent years. In 1963, the share was only $407,000, of which canned squid comprised $308,800. The decline is partly due to competition from South African sardines and Japanese mackerel, but a more important factor, according to trade sources, has been the sudden drop in the California sardine catch. Maine sardines, which now are more abundant, are said to be less popular with Philippine consumers than the California brands. Importers and dealers cite various reasons for this, but probably the most critical one is pack: Tomato sauce, natural sauce, and spiced olive oil are the preferred packs in the Philippine market; the most common Maine packs—cottonseed and soybean oil—are not nearly as acceptable. The best-selling cans are 15-ounce ovals and 5-ounce talls (jitneys). Flats are not considered salable in the mass market.

As the Philippine fishing industry develops, canned fish imports will probably decrease. Today, the industry is handicapped by obsolescent methods, inadequate facilities, and lack of investment capital.

Philippine consumers annually buy about 1 million cases of sweetened condensed milk, filled and nonfilled. Of those 1 million cases, about 450,000 cases are filled milk produced locally from imported powdered milk and locally produced coconut oil while 550,000 cases valued at $5 million is imported sweetened condensed milk. Of total imports, 95% come from Holland, the remainder from Britain, France, and Switzerland. Until recently, private sector importations of milk and milk products were the traditional sources of supply for the country's requirements. The private sector now finds it difficult to compete with NAMARCO. NAMARCO buys 90% of all imports of evaporated milk and 73% of all imports of condensed milk.

The Philippine Government is encouraging the development of the domestic dairy industry in an effort to achieve eventual self-sufficiency in milk and dairy products. This project has high priority in the administration of President Diosdado Macapagal (1962-present). Climatic conditions are favorable, pasture

lands sufficient, and concentrated feeds available. Nevertheless, commercial dairy farming is limited. Costs of importing stock and maintaining herds are high (only two dairy farms now have foreign breed herds) and the collecting and distributing of milk, particularly in the rural area. has not been organized.

A step that was taken in 1964 to aid the industry was the approval by the Philippine Congress of an act which sets aside P10 million annually for a period of 10 years to be loaned to processing plants and dairy farmers. By the terms of the act, the Bureau of Animal Industry is required to import dairy animals, breed them, and sell them at a reasonable price.

The long-term market for canned corned beef, luncheon meat, and other canned and dried meats is good although imports of canned corned beef (the most significant canned meat import) dropped from almost $7 million in 1962 to $3.7 million in 1963. Imports of canned corned beef come almost entirely from countries other than the United States. Almost all the "U.S. origin" corned beef is produced and canned in Argentina by subsidiaries of major U.S. packing companies and is marketed under U.S. brand names. Small quantities of dried beef, corned beef hash, and other meat products are imported directly from the United States. U.S. brand corned beef packed in Argentina is marketed both through regular commercial channels and NAMARCO

A local company is now establishing a fairly large meatpackaging and packing plant which plans, for the most part, to import live cattle or frozen carcasses. When this plant is operational, imports of canned meats for mass consumption are expected to decline. However, the market for specialty imports of canned meat and meat products (meatballs, frankfurters, ham) should increase steadily.

Pineapples, mangos, mandarin oranges, and fruit cocktail made of these locally grown fruits are canned in the Islands, but Filipinos also have acquired a taste for many fruits from other lands. A small but growing market has developed for such canned fruits as grapes, pears, peaches, plums, dates, and cherries. United States brands dominate this market and are commonly found in grocery stores in the larger cities.

Imports of canned fruit are handled largely through NAMARCO, which brings in these goods duty free for resale by authorized Filipino retailers. In addition, several private firms in greater Manila import canned fruit and distribute them through wholesale houses. Groceries, supermarkets, and sari-sari stores (small retail outlets) buy their stock from these wholesalers as well as from importer-distributors.

With the high rate of population increase and the improvement of living standards, demand for canned fruit is increasing 10% a year. Taste and price are significant factors to consider in marketing. Filipinos generally prefer sweet canned fruits in heavy syrup.

At retail outlets, such inducements as special sales and giveaway samples (undertaken with the support of the distributor) are considered the most suitable sales promotion technique. Advertising in newspapers and on television and radio also helps to establish products in this brand-conscious market.

The market for frozen foods is not promising now. Facilities for storing frozen foods are inadequate in retail stores, commercial plants, and homes. The hot climate and general lack of rapid transportation to carry frozen foods from the store to the home also discourage a frozen foods market. Over the long run, however, demand for frozen foods should increase and in part displace consumption of certain canned foods.

All beer now consumed is produced locally by one brewery. In 1962, sales of beer totaled over $66 million. Foreign beers cannot compete in the Philippines because of the high import duties and taxes assessed, including a sales tax. There is little indication that

THE SARI-SARI: These tiny villoge stores stock the smoll items used doily by the overoge Filipino family.

COCONUT, TOP FOREIGN EXCHANGE EARNER: Coconut meat is sorted by hand. Labor is plentiful in the Philippines.

this restrictive import policy will be relaxed.

Almost all of the soft drinks consumed are also manufactured locally, often under licensing agreement with manufacturers of prominent U.S. brands.

There is a good small import market for wines and liquor despite high duty rates and taxes. The wine market is dominated by European suppliers. The present Philippine preference for scotch (imports of 338,144 quarts in 1962) over bourbon (imports of 6,832 quarts in 1962) favors British suppliers. Brandy is also a popular import.

The market for U.S. cigarettes, chewing tobacco, and smoking tobacco would be promising were it not for high duty rates on these products, widespread smuggling of Hong Kong-produced cigarettes, and the local production of cigarettes and cigars. The market for U.S. blending tobacco is also limited by the Philippine import policy which ties imports of U.S. leaf to exports of Philippine tobacco.

Philippine factories, some of which are licensed by U.S. companies, primarily produce low quality cigarettes and cigars for the low-income consumer. Approximately 800 million cigarettes are produced each month. Production of cigars totals between 7 and 8 million monthly. About 17 million cigars were exported in 1963. The Philippine tobacco industry also produces monthly 88,000 pounds of chewing tobacco and 99,000 pounds of smoking tobacco.

CLOTHING AND TEXTILES

The market for imported clothing is limited. Because of high tariff barriers (75%-150% ad valorem) imported clothing can be sold only to the relatively small affluent class. Lower income Filipinos make much of their own clothing from imported or locally produced fabrics.

Until recently, the Philippines was a substantial importer of textiles and piece goods, especially cotton fabrics, which account for over 90% of Philippine consumption of all textile fabrics. However, the domestic textile industry, which has grown rapidly and has been protected by restrictive tariffs on imported textiles, is now supplying most of the country's needs for cotton piece goods.

United States exports of cotton piece goods to the Philippines dropped from 97.8 million square yards in 1955 (of which 6.8 million square yards were for embroidery and subsequent return), to 28.6 million square yards in 1962 (of which 18 million square yards were for embroidery and return), and to 24.2 million square yards in 1963 (of which 18.3 million was for embroidery and return). Early in 1964, tariffs on remnant imports (the most significant remaining piece goods export) were increased, an action which is expected to further depress this once lucrative market.

Trade in woolen textiles is negligible, as woolens are not suited to the Philippine climate. Demand for silks also is small. Demand for lace has been consistently low over the years with imports coming primarily from the United States, Japan, and Switzerland, in the order listed.

There is an excellent and growing market for synthetic textile materials. Local production of synthetics is not significant now. However, as the domestic industry develops, imports of these fabrics will be increasingly excluded. At present, Japanese synthetics are giving the U.S. products increasing competition.

Dry goods are retailed in the cities through small stores (almost individual stalls) as well as larger clothing and material stores; in the rural areas, through the public marketplace.

Philippine imports of cotton and synthetic textile fabrics by major supplying countries, 1962-63, are given in table 7.

PAPER AND BOOKS

The Philippines are an attractive market for foreign sales of stationery and paper products, but domestic production has cut into total imports. The local industry now supplies 40% of the paper and paperboard market. The principal paper products manufactured

locally are bond, mimeograph, and onion skin paper; cardboard and cardboard boxes; kraft paper; paper bags; and toilet and tissue paper.

Paper manufacturers now number 15, a third of them established since 1960. Three others are scheduled to begin operations within the next few years. Local production from 1958 to 1963 has increased 18.5% a year, or double the annual increase in the total paper supply (including imports) during that period. The Philippine economic planning agency (the Program Implementation Agency—PIA) estimates that when the 100,000-ton-plus Paper Industries Corporation of the Philippines plant goes into operation in 1966, the rate of local production will increase to the point where by 1970 local industries will supply all but about 33,000 tons of total demand. Consequently, the overall market prospects for U.S. exporters of paper products will depend greatly on how successfully the Philippine industry fulfills its projected goals. Japan, Finland, Sweden, and France are now the chief competitors of the United States for this market.

The rate of literacy in the Philippines is 72%, according to the 1960 census. Many printing and publishing firms are operating, using mostly imported printing paper at present because its quality is high and the rates of duty are low. (Newsprint may be imported tax free by newspapers; book paper is subject to a 5% duty.) Printing paper imports may drop sharply after June 1965, however, on scheduled termination of a $5-million AID program for supplying offset printing paper to the Philippines for use in a schoolbook printing project.

Local firms largely produce inferior grades of printing paper for use by the more than 120 job printers in the Philippines.

Customs duties on writing papers are very high, ranging from 40% on mimeograph to 60% on bond. Local manufacturers are able to supply a large part of the market. Imported writing paper includes paper of high quality which the local industry is technologically unable to produce. The PIA estimates that local demand for bond will expand 3% a year and will reach 48,600 tons by 1970. A substantial portion will continue to be imported.

Wrapping paper is not used so extensively as might be expected; most shopkeepers use old newspapers for wrapping articles they sell. Nevertheless, demand is expected to expand rapidly in the coming few years. Philippine capacity for producing wrapping paper also is expected to expand under the protection of a 50% tariff on kraft paper. By 1970, domestic producers hope to supply almost all the country's requirements for this product.

No sulfite, glassine, or vegetable parchments are produced locally. Only a small quantity of paper is converted into greaseproof wrapping paper.

Production facilities are adequate to meet most current and expected demand for sanitary papers. The over 120 small paper converters who manufacture sanitary papers use locally produced jumbo rolls, as these materials if imported would be subject to a 60% duty.

The tissue paper market is the smallest sector of the total paper market, but its rate of growth is the most rapid. Sanitary papers are widely used among the higher income, urbanized groups, but are rare among the majority of the population, who are either too poor to buy such luxuries or unaccustomed to their use. A generous estimate is that 40% of the population uses sanitary papers.

Use of such items as paper plates and drinking cups is almost negligible but growing. No paper sheets, pillow cases, aprons, or such items are produced in the Philippines, nor are they used in the hospitals as far as is known.

Industrial use of paperboard is increasing, but local producers claim an overcapacity for manufacturing this product. Therefore, demand for imports is not likely to rise.

The local industry reportedly is technologically able to make special industrial papers, but very little is actually produced because of small demand.

What little shipping sack paper is produced locally is used mainly by the sugar industry. The further development of the cement industry will stimulate demand for paper shipping sacks, which local producers

TOBACCO GROWS TALL: Agriculture is slowly mechanizing, opening up opportunities for export sales.

will not be able to meet because of technical problems and lack of appropriate raw materials.

Bag paper and products are a major line of production of the Philippine pulp and paper industry. Output satisfies local demand. Customs duty on paper bags is 80%.

No plastic coated paper and paperboard is produced locally at present. Demand for plastic papers may grow as the pace of industrialization advances. Local manufacturers hope to meet most of this demand.

Demand for new paper and paperboard products will increase as Philippine industrialization progresses. However, the demand will be so small in the next few years and perhaps for years to come that economical production locally would be difficult. United States paper exporters, therefore, may still expect to retain a large part of this market.

Close cultural ties between the United States and the Philippines and the use of English by both countries give U.S. suppliers an edge over their competitors in the Philippine book and magazine market. As a result, U.S. suppliers have captured more than 90% of total Philippine imports of books and magazines, which are valued at $3 to $4 million annually.

FURNISHINGS, TOOLS, VEHICLES

One of the more promising consumer goods markets is in household and office furnishings. With the growing shift of the rural population to the cities, the expansion of urban areas, and the rise in incomes in urban areas, demand for more and better housing and office facilities is increasing. This means that more amenities for the home will be required as well as such office furnishings and equipment as air conditioners and fans, office machines, communications equipment, and furniture. The most important Philippine imports of household goods and furnishings and office machines, 1962-63, are listed in tables 8 and 9.

In the rural areas, demand is growing for many inexpensive household items, for example, cooking utensils, household appliances such as small battery driven refrigerators, electric fans, sewing machines, and transistor radios. As power-generating facilities are expanded, rural demand for electrically operated household appliances should mount.

The market for household handtools, presently small, shows a good potential. In 1963, approximately $3 million worth of such tools were imported, primarily from the United States, Japan, West Germany, and the United Kingdom. The market for these tools should increase appreciably to satisfy the growing demand of homeowners and craftsmen.

The market for both manual and power lawnmowers is also growing. About 2,500 are imported annually; the United Kingdom is the principal supplier (1,900 units), followed by the United States (500 units), and Australia (100 units). The present duty on lawnmowers is 10% ad valorem (9% for U.S. suppliers until 1974); sales and special import taxes add up to another 10%.

Generally, importers market lawnmowers through their own retail outlets or through independent retailers. These importers usually do not engage in promotional activities because no firm represents a line exclusively. No one importer therefore can be assured of profits accruing from promotion of any one line of machines.

The potential customers of lawnmowers usually are from the affluent classes. Quality and durability are of great importance to them, although price remains an important factor. The most popular lawnmower is small and easily repaired. Spare parts should be readily available.

There is a small prestige market for completely assembled new automobiles. However, the very high rates of import duties and taxes effectively limit demand and encourage the local assembly of knocked down automobile components (see chapter 3).

Demand for small vehicles such as motorbikes, small motorcycles, and scooters has been growing rapidly in recent years and is expected to mount steadily. Initial cost of these vehicles is low, and they are easy to repair and operate. They are an ideal means of dealing with ever increasing transportation needs, particularly in urban areas. Small motorized vehicles are also used for in-plant transportation in large industrial establishments; as delivery vans, carryalls, and utility trucks for the multiplicity of marketing organizations in the Philippines; as small inexpensive taxis to replace nonmotorized tricycle taxis and the horsedrawn carriage trade; and for Government transportation, such as trucks for sanitation work and small carryalls for use in airports and on the wharves.

Italy, Japan, West Germany, and local manufacturers are the principal competitors of U.S. suppliers in this growing small-vehicle market. Price is an extremely important consideration, since the purchasing power of the growing Philippine middle class is limited. Prices for vehicles should be below $250, as indicated by the market success of a locally assembled European motorbike selling for $150.

Marketing techniques employed to sell these small vehicles include advertising in newspapers, magazines,

specialized periodicals, radio, and television in addition to direct salesmanship and vehicle demonstrations. Brand names and trademarks are exploited to the full to satisfy this brand conscious market.

Small vehicles are usually brought in by importers and distributors who sell through their own retail outlets in the greater Manila area, or through branches and dealers in other big cities. Local assemblers retail their own output or sell through separate marketing organizations.

The tariff duty on motorcycles, autocycles, and cycles fitted with motors is 40% ad valorem; U.S. suppliers will be assessed 90% of this rate through 1974. A small special import tax and a sales and compensating tax which approximates 10% are levied on the landed cost of all imports of small vehicles.

Reasonably priced automobile air conditioning or air cooling units are in demand in the Philippines with its year-round tropical climate. Only 1 automobile in 20 is now air conditioned. High tariff duties and taxes, however, will reduce the market for imports of these products below their potential and encourage local manufacture or assembly of these units.

DRUGSTORE AND OTHER CONSUMER ITEMS

Virtually all types of cosmetics and drugs enjoy a good market in the Philippines. Modern attractively set-up drug and cosmetic counters are found in the major department stores and pharmacies. Traders in the local markets all over the Islands display a wide variety of goods, including perfumes, lipsticks, combs, hair sprays, tonics, and cough medicines.

Since the Filipinos are highly style and dress conscious, growth of demand for a wide variety of cosmetic lines seems assured. However, imports of these products are discouraged by the restrictive Philippine tariff policy. Duties on perfumery, cosmetics, and toilet preparations are 200% ad valorem. In addition, a sales tax of 50% of the landed cost inflated by 100% is assessed on cosmetic imports. These high duties and taxes price the imported items out of the mass market, restricting their sale to the more affluent groups.

The drug market is of considerably wider scope than the cosmetics market. Annual imports of antibiotics, vitamins, and other medicinal and pharmaceutical products amount to almost $10 million. United States suppliers traditionally have commanded 60 to 80% of this market. Competition from domestic manufacturers is expected to increase, as joint ventures for the local manufacture of these products are now being

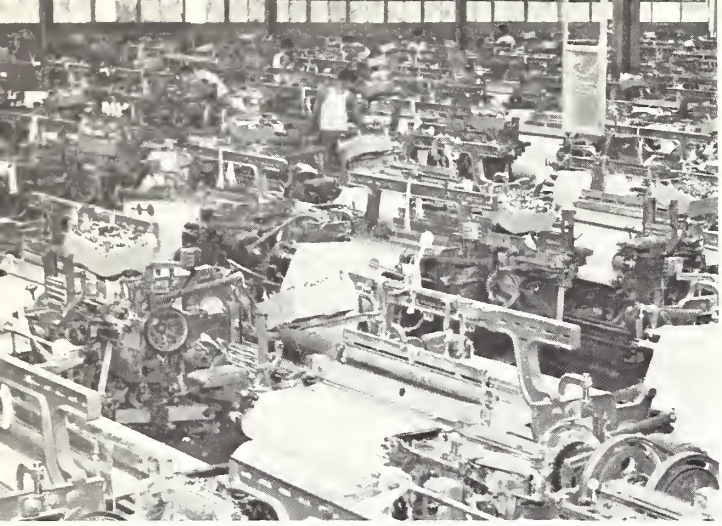
PINEAPPLE GROWERS: Two-thirds of Filipino working men and women earn their living from the land.

concluded. Duty rates on imports of most drug items are low (10% ad valorem), reflecting the essential nature of these imports. Philippine imports of selected drugs and medical preparations for 1962-63 are given in table 10.

Philippine imports of cameras have jumped since the lifting of licensing and exchange controls in January 1962. Sales are expected to increase 10% annually, reflecting the increased purchasing power. The cheaper box type cameras supplied mainly by the United States are selling faster than the expensive models supplied primarily by Japanese and West German firms. A high duty rate of 30% ad valorem and a sales tax of 30% on the landed cost inflated by 50% do much to limit the sales of imported cameras.

Increasing use of cameras is expanding the market for photographic film, plates, and paper. Imports of film will soon reach $3 million annually. United States suppliers presently enjoy more than 60% of this market. The Benelux countries (Belgium, Netherlands, Luxembourg) and Japan are their principal competitors. Philippine imports of photographic goods and film in 1962-63 are given in table 11.

The market for a wide range of still other consumer products is slowly broadening as the real per capita income of Philippine consumers rises. Among these products are sporting equipment (golf and tennis are particularly popular); toys of all kinds; quality fountain pens and pencils; comb and brush sets; advanced household appliances such as electric mixers and electric frying pans; and travel goods and kits. Although the market for these items is small now, it is expected to grow. The company that establishes a position in that market today will be better able to reap future profits.



FABRIC WEAVING: Philippine manufacturers spend $15 million annually for imported textile machinery.

Chapter 3

MARKET FOR.....

THE LARGEST AND most rapidly expanding import market in the Philippines is in machinery, transport equipment, and building and construction materials and equipment. In 1963, total Philippine imports of machinery and transport equipment reached $209 million, more than one-third of all imports. Other significant producers goods imports included, in millions of dollars:

Mineral fuels and lubricants	61.8
Base metals	53.4
Cereals and cereal preparations	58.9
Unmanufactured textile fibers	25.6
Explosives and miscellaneous chemical materials	18.9

Of the major categories of producers goods imports, U.S. suppliers captured $82.6 million, or 60%, of the machinery market; $28.8 million, or 43.2%, of transport equipment; $14.6 million, or 56.9%, of unmanufactured textile fibers; and $9.7 million, or 51.2%, of explosives and miscellaneous chemical materials. Producers goods imports of which the U.S. share was less than 40% included mineral fuels and lubricants, cereals and cereal preparations, and base metals.

The industrialization of the Philippines is changing the composition of Philippine producers goods imports. In the late 1950's and early 1960's, Philippine manufacturing moved away from the earlier proliferation of light industries engaged in the finishing of semiprocessed imported materials towards heavier and more capital intensive industries, including oil refinerics, flour mills, steel and other rolling mills, textile mills, cement and fertilizer plants, and limited electrochemical industries. The establishment of these newer manufacturing operations required extensive machinery imports and an increase in raw material or semifinished material imports. In turn, other imports were displaced. For example, crude petroleum imports partially replaced imports of refined petroleum products, wheat replaced wheat flour, raw cotton partially replaced textile fabrics, and less finished metal forms replaced more finished metal products.

The Government's lifting of licensing and exchange controls and the devaluation of the peso early in 1962 gave further incentive to the development of the more basic, heavier industries. Devaluation, by increasing import costs, made more expensive the operations of the many nondurable industries heavily dependent on imports. The more basic Philippine industries utilizing locally available raw materials or imports of a lower labor component (less finished) in turn received a production incentive. These new industries require more sophisticated machinery and equipment imports and raw material inputs different from those needed for the light manufacturing industries that were established during the 1950's.

Philippine light manufacturing and assembling industries produce a variety of nondurable goods for the domestic market. Food, beverages, tobacco, rubber products (tires and tubes), textiles, clothing, and footwear now account for one-half of total manufacturing production. As a former president of the Philippine Chamber of Industries recently said, "There is practically no article of common use in any Filipino home that is not being formulated, fabricated, or manufactured in the Philippines—from hairpins to refrigerators, from pencils to paints to plastic bags, from bicycles to motorcars, and from soap to nuts and bolts."

Because Philippine demand for any one product line is relatively small, individual firms usually produce a wide range of products. For example, a leading Philip-

pine gun factory, which also makes toys, doorknobs, locks, hammers and hinges, is experimenting with golf clubs. When a firm expands, it generally manufactures related products rather than increase current output. As a result, versatile machinery is demanded rather than high speed specialized equipment.

This relatively small-scale industrial development requires an increasing number of machine tools—lathes, milling machines, shapers, punch presses, metal saws, and boring machines. Philippine industry makes dies and castings, which it tests with imported machines. United States suppliers are finding therefore an excellent market for their control and testing equipment and instruments.

There is a sizable and steadily expanding new and used machine tool market (imports of machine tools total more than $5 million annually). The U.S. suppliers have an excellent competitive position in the used machine tool market. In this market, only reliable equipment should be offered, and the machines should be accurately described in correspondence and advertising. In explaining why used machine tools are in demand in the Philippines, the manager of a large metalworking plant stated: "We buy used machinery. We can get it cheaper and it is more geared to our market than newer machinery. New machinery is sophisticated, geared to high production and to save manpower. Why save manpower? We have plenty of it."

The fast growing market for new machine tools is dominated by European and Japanese manufacturers. Although U.S. suppliers can generally offer better delivery terms, better quality and higher resale value, and reasonably competitive financing, European and Japanese equipment is much less expensive. Reportedly, U.S. machine tools are priced up to 45% above comparable European products. However, trade sources report that U.S. suppliers are finding a small but good market for highly specialized machine tools and bits. Table 12 lists Philippine imports of machine tools by major supplying countries for 1960 and 1962-63.

In addition to the new and used machinery, these industries need components and raw materials. It is estimated that more than 60% of industrial raw material requirements are imported—sewing machine parts; refrigerator and air conditioner parts; automobile motors, chassis, and parts which are assembled into complete units: iron and steel ingots that are shaped and formed into reinforcing bars; and aluminum ingots which are extruded into door and window frames and jalousies.

Small cottage industries are important to the Philippine economy. They employ 14% of the work force in the manufacturing sector and account for 10% of the industrial payroll. Their employees supplement the earnings of many a family. They produce footwear, wearing apparel, embroidery, and wood items. Plans for their expansion envisage increasing use of the byproducts of such well-established industries as coconut, abaca, sugar, timber, tobacco, and rubber.

These small industries generate considerable import demand for sewing machines and hand- and power-driven metal- and woodworking tools. Philippine imports of sewing machines and parts alone amount to $2 million annually.

PRODUCERS GOODS

Rationalization of plant and equipment is underway in many key agro-industrial sectors of the economy, particularly those whose export earnings are high,

SHIP TAKES SHAPE: Philippine Welder shields himself from sparks with protective helmet and gloves, both import items.

such as sugar milling and refining, copra processing, mining, and logging.

Mechanization of agriculture is slowly increasing, opening up many opportunities for export sales. Demand for land-working equipment, harvesting equipment, seeds and fertilizers, irrigation equipment, and other products should mount steadily. Those items not produced locally will have to be imported.

For example, of the 17.3 million acres under cultivation, only 2.5 million acres are irrigated. To increase agricultural production, the Philippine Government has embarked on a program to extend the area of irrigated land by constructing irrigation systems throughout the country. Rice and sugar planters, farmers' cooperatives, and individual plantation owners also are extending irrigation systems. The market potential for water pumps, gates, valves, controls, sprinklers, pipes, and diesel engines therefore is excellent. Irrigation equipment suitable for plots of 250 acres or less are the most desirable.

Much of the sales to this growing market for irrigation equipment are made through competitive Government bidding in which local indentors, sales representatives, and importers participate. Small individual buyers obtain their needs from importer-distributors.

Sales are promoted through advertising in daily newspapers and in agricultural magazines and journals. In addition, salesmen reach the larger end users, such as the agricultural cooperatives. Duty rates on irrigation equipment range from 10 to 30% ad valorem; other import taxes add up to 10%. The U.S. suppliers pay only 90% of the normal duty rates through 1974.

Significant modernization, rationalization, or expansion are going on in the sugar and copra industries. The sugar industry employs over 250,000 workers on the 543,600 acres of sugar land in the Philippines and in the 26 sugar mills (centrals) throughout the country. Annual export earnings in recent years from the sugar crop alone have reached more than $150 million. These record-high earnings have allowed sugar planters and millers to pay off back debts, to reinvest in plant modernization and new equipment, and to diversify into other areas.

A leading sugar central announced an expansion and improvement program, budgeted at slightly more than $3 million over 2 years, which is designed to increase the capacity of both the factory and the refinery. Equipment purchases planned include diesel electric locomotives, new railroad lines, bulldozer and graders, a boiler with vibrating stoker and automatic controls, 12-ton cane cars, vacuum pans for raw sugar, evaporators, crystallizers, juice clarifiers, vacuum cachaza filters, and vacuum pans.

In the coconut industry, copra producers and exporters increasingly are undertaking the processing of copra into coconut oil. Leading oil crushers and processors are putting in new copra processing plants which extract coconut oil by first crushing the copra, then removing the remaining oil by use of solvents. To date, West German suppliers who specialize in the manufacture of root processing and oil extraction equipment have captured the biggest share of this lucrative and growing market. The Germans have extended technical assistance to the Philippine coconut industry, which undoubtedly has helped sell their equipment.

The developing livestock industry presents a growing market for U.S. export and investment. Prospects are improving for sales of breeding stock, veterinary supplies, certain feedstuffs (particularly if trade barriers on grains are removed), and equipment (milking apparatus, feeders). For the most part, these items are not produced in the Philippines.

The industry also offers opportunities for foreign investment capital and technical assistance, particularly in joint ventures with Filipinos.

LOGGING AND LUMBERING

The logging industry has stepped up exploitation of the considerable forest reserves of the Philippines. Industry export earnings have increased correspondingly. In 1963, log and lumber exports earned $152.9 million in foreign exchange as against $112.8 million in 1962.

Under the stimulus of increased industry activity, plant and equipment are being recapitalized and modernized; import demand for machinery and equipment related to logging has increased noticeably. In addition, roadbuilding and earthmoving equipment is being imported to build the roads needed to reach timber areas. The demand for port equipment to load logs and lumber into seagoing vessels is expanding.

The logging industry is branching out into the manufacture of lumber (including plywood and veneers) and furniture, for which new machinery and equipment is needed.

MINING

The Philippine mining industry has been growing and was spurred by the devaluation of the peso in 1962, which increased export earnings. Its develop-

ment is toward more intensive exploitation of existing deposits (as the richer and more easily accessible veins are rapidly being depleted) and toward increased processing of ores before export. Some operations are moving from open pit to underground mining as surface deposits are being depleted. This is particularly true in copper mining. Moreover, new open pit mines are being started.

The development of new mineral deposits in remote areas and the working of lower grade ore deposits both require considerable new investment in facilities and equipment. Machinery and equipment needed are heavy trucks to haul ore to concentrating and port areas, power shovels and bulldozers, pumps to free underground shafts and tunnels of water, road building equipment, and equipment for the construction of port facilities.

Increased processing of ores before export requires investment in concentrating facilities and other ore processing facilities. Since flotation methods are commonly used, water pumps and other water circulating devices must be imported as well as centrifuges and other separating devices.

Japan, Sweden, and the United Kingdom are important suppliers of mining machinery and equipment to the Philippines. Japanese capital continues to be an important factor in expanding copper and iron mining, ore concentrating, and shipping facilities. Japanese firms singly or in combination are extending credit to finance the payment of technical personnel and the purchase of equipment. Repayment is to be made from ore shipments. The loans are partially tied to the purchase of Japanese equipment.

The quality of Swedish and British mining machinery and equipment is rated very favorably by traders and users. British equipment also is successful in the market because many of the engineers, technicians, and purchasing agents of the large copper mines are British nationals who have come to the Philippines from the copper mines of Rhodesia. Being familiar with British mining equipment, they prefer to buy from sources other than Britain only if there is good reason to change.

Virtually all Philippine minerals are being exported; the small amounts used locally are nonmetallic minerals consumed in cement manufacture and similar enterprises. However, plans are being developed for the eventual processing and utilization of all ores domestically. For example, copper and aluminum smelting are under study. Bauxite would need to be imported. Furthermore, a prominent mining firm is processing nickel-chrome ore in a pilot plant and is planning a ferrochrome plant. Another is experimenting with the use of Philippine manganese in battery production. Copper pyrites are being used in fertilizer manufacture. All of these processing operations eventually will require equipment imports.

ELECTRIC POWER

Since World War II, the Philippine electric power industry has developed considerably, assisted by the Export-Import Bank of Washington, the International Bank for Reconstruction and Development—World Bank, and loans from private U.S. banks. In turn, imports of power generating, transforming, transmitting, and control equipment are in demand, since little of this equipment is manufactured domestically. Imports are expected to increase steadily as new power and transmission facilities are constructed.

Philippine imports of certain categories of power generating equipment by major supplying countries for the years 1960 and 1962-63 are given in table 13.

There is some evidence that the United States, the major supplier to the Philippines of electric power generating and distributing equipment in the early 1960's, is losing that position in the market. For example, a new 50,000-kw. generator-turbine unit of Japanese make is being installed at Iligan City to supplement the two 25,000-kw. U.S. units that were erected

WOODCARVINGS OF THE IFUGAOS, A GROWING EXPORT: Cottage industries employ many hands, supplement incomes.

in the middle 1950's. United States machinery was not competitive in the international bidding for these facilities, which are being constructed under a World Bank loan. Moreover, U.S. trucks were not competitive for this project, losing out to British-made trucks.

Japanese bidders also were awarded most of the electric power generating equipment orders for the development of the hydroelectric facilities for the Angat Dam project, although a U.S. engineering and construction firm successfully bid for the civil works portion of this major construction. And in the major powerplant in the growing city of Davao on Mindanao, British turbines, generators, stationary diesel engines, and control equipment are taking their place alongside the older U.S. equipment.

In thermal powerplants, domestic electric power companies prefer 200-r.p.m. diesel engines that can use cheap fuel and can be maintained at less expense than a higher r.p.m. engine. The U.S. equipment similar to the European 200-r.p.m. engine in horsepower output and relatively competitive in price operates at an r.p.m. of 400, requiring more expensive fuel and maintenance. Low r.p.m. equipment produced in the United States is said to be from 18 to 22% higher in price than the European product. Despite aggressive selling on their part, dealers see little prospect for increasing sales of the larger U.S.-made units in light of this price differential.

Dealers handling small diesel units, used primarily for small generator sets on plantations, in rice mills, and with irrigation and other equipment, say that U.S. suppliers produce only a limited range of models, which are not competitive with British makes.

A good market continues for distribution transformers and parts of U.S. manufacture. A major user stated that "We don't consider anything except the United States, regardless of price." "European makes," he said, "do not compare in design, do not offer a price saving, and are not manufactured for Philippine standards." He added that many consumers don't understand European ratings, which vary considerably within a country.

This user was able to cut import costs from the United States by purchasing consolidated (preferred) standards. He thought that U.S. suppliers, by reducing the number of lines produced, were now better able to compete. However, when electric power units have to be specifically engineered, the Japanese are well regarded in the Islands.

INDUSTRIAL AND ELECTRICAL MACHINERY

Industrial and electrical machinery is produced in the Philippines, but only sewing machines are turned out (assembled) in volume—200,000 units in 1961. In the same year, 300 rice hullers, 112 agricultural farm machines, and 538 roller and hammer mills were manufactured.

Production of electric motors and compressors is limited but increasing. Joint enterprises with several foreign firms attracted by the growing demand for electrical appliances are producing air conditioners, refrigerators, radio and TV sets, coolers and freezers, electric stoves, ranges and water heaters, floor polishers, fans, and motors.

BUILDING, CONSTRUCTION, AND RELATED INDUSTRIES

New offices, plants, and homes are being constructed in the Philippines, and the already sturdy demand for building and construction materials and equipment is growing stronger. Imports are needed of cranes, hoists, cement-making equipment, earthmoving equipment, pneumatic drills, and those structural building materials not produced locally. Opportunities are good for the sale of glass windows, sanitary and kitchen plumb-

LOGPOND: Acres of hardwood trees yield logs and lumber to export and to make into plywood, veneer, furniture.

ing fixtures, electrical switches and outlet boxes, wiring, floor tiling, pipe and tube, and paint.

Local production of some of these items for the building and construction industries is underway. For example, wall paints and other paints and decorative materials are amply supplied by 22 paint manufacturers, some of whom are licensed by the better known U.S. concerns.

Philippine imports of construction materials and equipment from major supplying countries for 1962-63 are shown in table 14.

The market also is considered good for builders hardware, such as pulls, knobs, handles, brackets, pegs, hinges, latches, and locks. About $2 million of these products are imported annually, about half from the United States. The other major suppliers are West Germany, Italy, and Japan.

Importers of builders hardware usually sell direct to end users—the construction companies and building owners—but they also maintain retail outlets and supply other smaller retailers. Some of them act as indentors.

Distributors of builders hardware, particularly those holding exclusive representations, advertise in all suitable media. They also employ salesmen to call on persons in the construction business and on retailers.

The ad valorem duty on imports of almost all hardware is 15%; duty on certain butt hinges is 75% and on brackets and pegs, 40%. The U.S. suppliers pay only 90% of this duty through 1974. Other import taxes add approximately 10% to these charges.

The domestic plumbing hardware industry produces only the more common articles, such as ordinary faucets and drains. Quality of these products is not high, and present output meets only 15% of domestic demand. The market potential for all types of plumbing hardware therefore is excellent. Chief competitors of U.S. suppliers are those of West Germany and Japan. Competitors' products are of lower quality and less expensive than the U.S. makes.

Retailers of plumbers hardware obtain stocks directly from importers centered in the Manila area. Sometimes, foreign suppliers engage a sales agent to sell their products exclusively to importers who distribute them to wholesalers and retailers. Generally, the agent will undertake to advertise the product in the Philippines. The foreign supplier without exclusive representation undertakes his own product promotion. Newspaper or trade journal advertising is used primarily. Established trade names and trademarks continue to find the greatest market acceptance.

CEMENT

Six cement plants (3 wet process and 3 dry process) now operate in the Philippines. Their total capacity of 24.6 million 94-pound bags a year is inadequate to meet the steadily increasing demand for cement generated by the rising activity in construction. The shortage of cement in 1962-64 was acute, and imports were necessary.

Demand for cement is expected to continue to outstrip domestic production, a local survey[1] shows. Production in 1966 (based on an output of 80% of rated capacity of all plants presently producing) is expected to total 33.4 million bags (94 pounds each) and consumption, 43.7 million bags. The survey points out that the estimate of future demand may be on the low side, considering the economic growth targets of the Philippine Administration.

A three-way competitive race is underway to supply equipment for additional Philippine cement plants already on the drawing board. United States, Japanese, and West German suppliers have all outfitted presently operative plants. (AID funds and Japanese reparations financed two of these operative plants). Equipment orders for new cement plants will go to suppliers who can quote competitive prices and offer suitable credit terms.

IRON AND STEEL

The present development of the Philippine iron and steel industry is rudimentary. Four rolling mills manufacture reinforcing bars from scrap and imported billets, and four firms manufacture galvanized iron sheets. Other Philippine firms are making tinplate, drums, steel enamelware, nails, fencing, cast iron, steel pipes, and steel appliances. Most of the iron and steel is imported from Japan.

Government and industry plan to develop iron and steel producing and rolling facilities. Early in 1964, the Eximbank and the Iligan Integrated Steel Mills, Inc., of the Philippines signed an agreement under which the Bank will lend $62.3 million to help finance the construction of a steel mill on the island of Mindanao. The mill, with planned initial capacity of 230,000 tons, will be the first integrated steel-making facility in the Philippines and the country's largest single industrial enterprise. Total construction costs are expected to be more than $100 million.

If past experience with steel mill projects of this size are an indication, as many as 900 U.S. suppliers may

[1] Conducted by the Industrial Development Center, a quasi-governmental agency sponsored jointly by the Philippine Government and AID.

receive orders for steel-making equipment for the Mindanao plant through prime and subcontractors. The company has already completed consultations with a U.S. supply engineering firm.

The Philippine Government plans to build a second smaller integrated steel mill at Santa Inez in Luzon to produce billets for use by local foundries. West German financing is being sought for this plant, which is expected to cost more than $30 million.

A leading corporation which recently added an electrolytic tinplating facility to its hot dip lines has announced that it will install another tinplating line to meet expanding demand. The equipment for the first electrolytic tinplating line was U.S.-made. This firm also plans to construct a cold rolling mill with a projected capacity of 120,000 tons annually if it can obtain financing.

The construction of a special steel plant just outside Manila to produce high carbon steel and alloy steel to meet the requirements of local steel-fabricating and metalworking firms is presently underway.

These development plans offer excellent opportunities for sales of base metals and machinery and equipment.

AUTOMOTIVE INDUSTRY

Automobile and truck assembly, amply protected by import duties and sales and compensating taxes, has been steadily expanding. In 1962, 4,500 locally produced and assembled automobiles were sold; more were expected to be sold in 1963 and 1964. Local truck assemblers, who expected to sell 5,200 units in 1963 compared with 4,600 units in 1962, anticipate a steady expansion of sales.

There are about 20 assemblers and importers of automobiles in the Philippines. Assemblers of U.S. automobiles lead in production; assemblers of British cars are second. West German and Japanese bantam models also are produced and are becoming increasingly popular. West German diesel-driven automobiles, which are economical to operate, also are rising in popularity.

The rapidly expanding import market for unassembled cars and parts has become increasingly competitive for U.S. suppliers. Reportedly, not a single European or Japanese car could be found in the streets of Philippine cities in the early 1950's; today, many of the newer models are of non-U.S. manufacture. Prospects for U.S. sales are best in luxury and sports cars for the relatively small prestige market and in standard 6-cylinder models with a minimum of trim and accessories.

The import market for unassembled and stripped down trucks is excellent and expanding, but U.S. suppliers are facing mounting competition from the West Germans, the British, and U.S. subsidiary operations in Australia. Despite this growing competition, particularly in price, certain heavier model U.S. trucks continue to win substantial sales because of their outstanding quality.

In the light and medium truck market, the German and English models enjoy an advantage over their U.S. competitors in that they are lower priced and diesel driven. They are also said to have a greater payload capacity. German medium trucks, substantially lower priced than the U.S. models, are getting a good portion of the market share for these vehicles previously held by the United States.

Philippine imports of automobiles and trucks, 1962-63, are shown in table 15.

In marketing in the Philippines, it is important that alterations be made in cars and trucks to suit local requirements. This may mean providing greater road clearances; diesel engines; greater load capacity; bodies stripped of extras and unnecessary cabs and front seats in trucks; and stronger springs and shock absorbers.

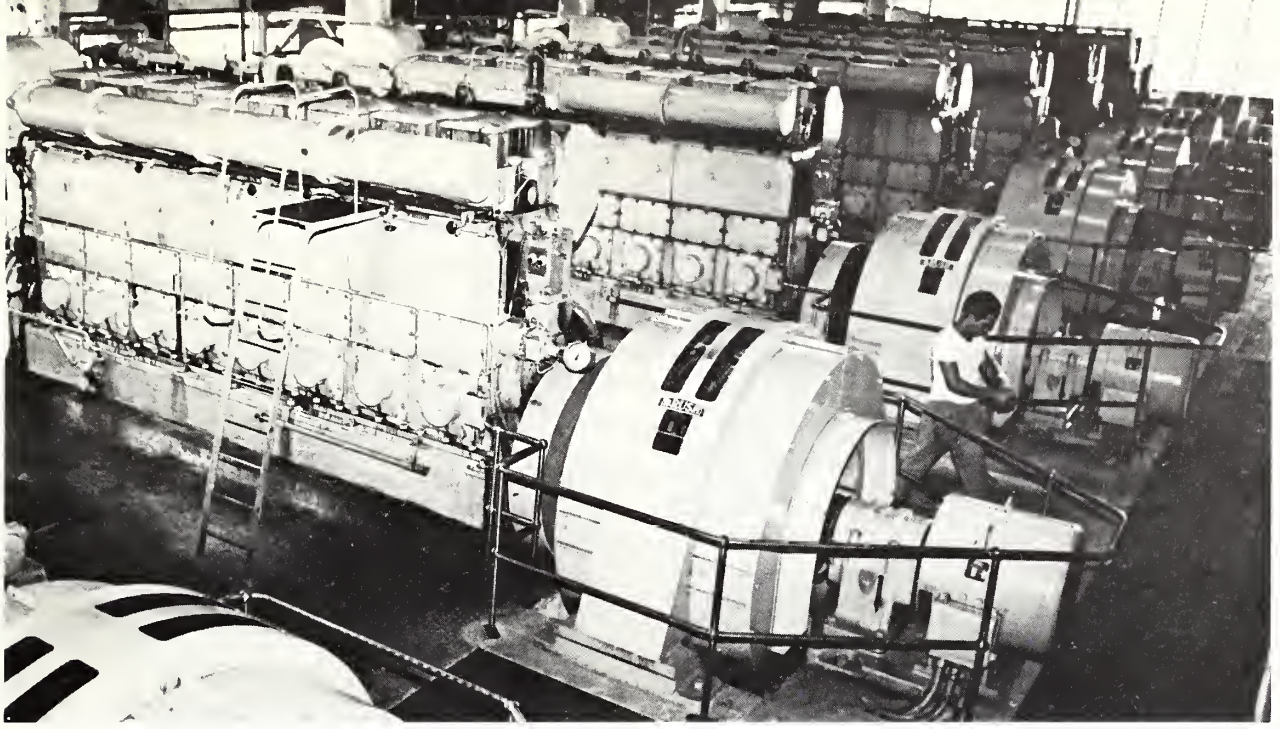
As in most areas of machinery sales, appropriate credit terms are an important competitive factor in marketing automobiles and trucks.

In the manufacture of automotive replacement parts, domestic plants produce only such simple nonprecision components as spring leaves, radiators, exhaust systems, and brake system parts. Precision automotive replacement parts, such as those for ignition systems, engines, transmissions and suspension sections, must be imported.

In 1961, about $13 million in automotive replacement parts were bought in the Philippines, $14 million in 1962, and $15 million in 1963. All but $3 million annually were imported.

Since 85% of the major vehicles operating in the Philippines are more than 3 years old, demand for automotive replacement parts is likely to continue to be high. There are 90,000 automobiles, 25,000 buses, and 50,000 trucks. World War II vintage jeeps fill the streets of Manila and are found throughout the archipelago; surplus army trucks haul cargo to all points of the country.

Of the import market for automotive replacement parts, the United States holds 70%, Japan 15%, West Germany 10%, and the United Kingdom 5%. Quality



ELECTRICITY FOR HOMES AND FACTORIES: Imported power generating equipment.

and durability are important in this market. The large number of vehicles of U.S. make and the good reputation of U.S.-manufactured parts account for the U.S. share of this market.

It may be to the advantage of the U.S. manufacturer to export his products through an exclusive representative in the Philippines; experience has shown that promotional efforts are more effective under such an arrangement. Those exclusive marketing representatives who advertise consistently and conduct extensive sales campaigns are gaining increasing popularity for their products. The less aggressive efforts of some U.S. exporters are detrimental to their sales position. Their approach perhaps reflects a complacency toward this traditional market in which U.S. motor vehicles once predominated.

The duty on most automotive replacement parts is 10% ad valorem. U.S. suppliers are assessed only 90% until 1974. Other import fees and taxes add approximately 10%.

The market for automotive handtools is large. Motor repair shops, increasing every year, are substantial consumers. Tools for emergency repairs and inexpensive repair kits are finding a growing market among motor vehicle owners or users.

Automotive handtools should be simple, low priced, and well made. The simple, poor quality Japanese and West German tools often outsell their U.S. counterparts because of a 50% price differential.

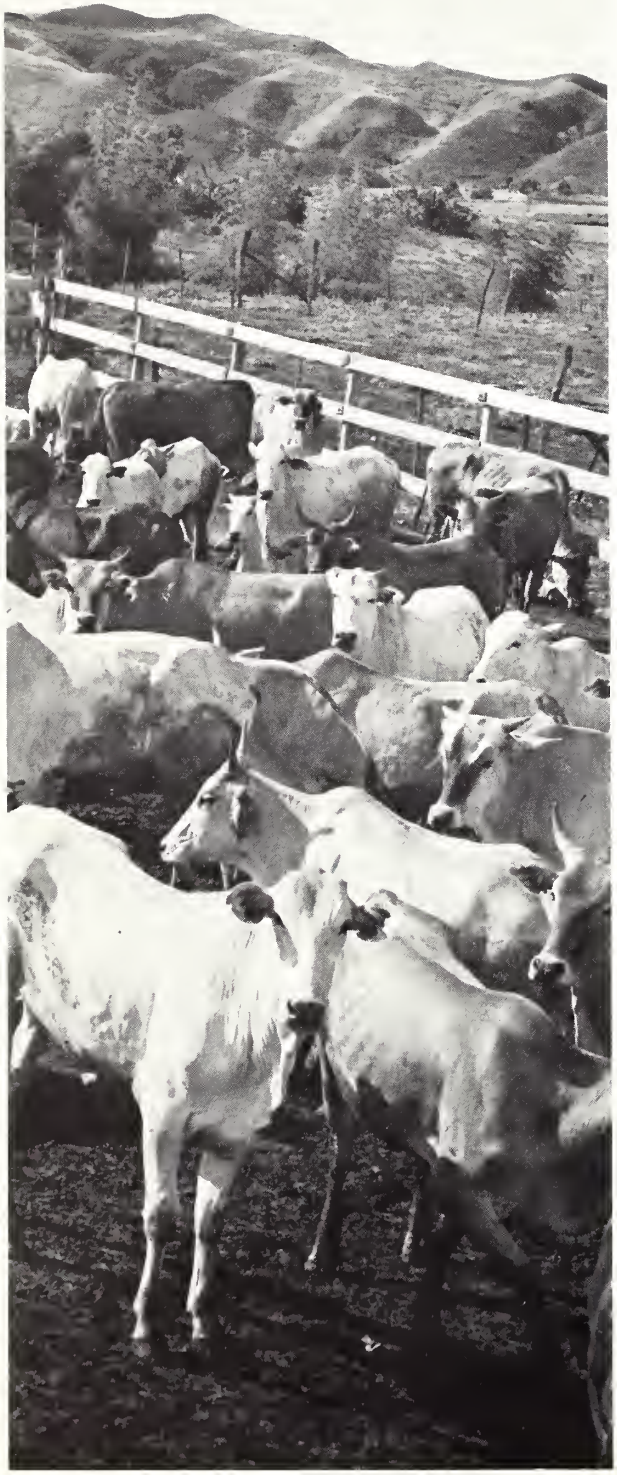
Importer-distributors advertise handtools in the motoring sections of daily newspapers and in journals and magazines devoted to transportation. They sometimes employ salesmen to solicit trade from retailers. Retail outlets commonly feature advertising displays. All these advertising techniques are designed to increase sales and to establish brand consciousness in this growing market.

Duty rates are low—10%. Only 9% is assessed U.S. suppliers, for the life of the Revised United States–Philippines Trade Agreement. The import taxes average another 10% of the landed cost.

CHEMICAL, RUBBER, PLASTICS, AND PETROLEUM INDUSTRIES

Philippine industries produce small but increasing quantities of tires and tubes, rubber shoes, paints and lacquers, antibiotics and other drugs, alcohol, synthetic resins, caustic soda and industrial salts, dynamite, acids, and other chemicals. Most of these industries were established recently. The first integrated chemical plant and dynamite-making facilities were established in 1961; the first caustic soda manufacturing plant, in August 1964. The annual capacity of the caustic soda plant falls 13,227 tons short of present domestic demand estimated at 22,046 tons.

Several other plants are now under construction or in the planning stage, including facilities for the pro-



duction of polyvinyl chloride, various industrial and agricultural chemicals, synthetic resins, and hydrocarbons. Equipment needed to outfit these types of plants generally is imported.

The Five-Year Plan gives priorities to the manufacture of soda ash, caustic soda, fertilizers, plastics, ramie, synthetic fibers, and petrochemicals.

Since chemical production is limited, and largely restricted to the compounding of imported materials, demand for imported chemicals is excellent and rising. However, the Philippines is not a volume market for most chemicals.

The Philippine plastics industry produces a variety of products. It relies entirely on foreign suppliers for raw materials. The giant manufacturers of plastic raw materials are already represented in the Philippines, but demand is great enough, particularly for polyethelene, polystyrene, and polyprophylene, to allow smaller U.S. producers to enter the market.

A major importer-indentor estimates that the Philippines consumes not less than $10 million of plastic raw materials annually. Growth rate of consumption is estimated at 20% annually. The United States, the United Kingdom, West Germany, Hong Kong, and Japan are the leading suppliers. In recent years, the Japanese have been the most successful in cutting into the U.S. market share.

Duties and taxes assessed plastic raw material imports amount to 25% of the c.i.f. value of the import.

Manufacturers of plastic products usually import raw materials directly or through indentors. Importer-indentors maintain a staff of salesmen, usually chemical engineers, to call on plastic products manufacturers. Some maintain minimum stocks to supply small orders on short notice.

Four major petroleum refineries with total refining capacity of about 85,000 barrels a day presently operate in the Philippines (one barrel equals 31½ U.S. gallons). This capacity exceeds present consumption by 15,000 barrels a day, but is expected to be utilized fully in the next few years.

To date, no exploitable oil strike has been found, so refiners must import crude and partially refined petroleum. In 1963, $61.8 million in mineral fuels, lubricants, and related materials were imported, primarily from Indonesia and the Middle East. The U.S. suppliers captured only $6.3 million of this 1963 market, slightly less than in 1961 and 1962 when total imports were amost $10 million lower.

STEERS CROWD INTO CORRALS: These cattle were raunded up an a ranch an Mindanaa, where cattle raising thrives.

In addition to mineral fuels and lubricants, the four oil refineries import replacement equipment and parts needed to keep the plants operational.

Sedimentary strata and geological structures associated with petroleum deposits occur in a number of places in the Philippines, and there is some hope for an exploitable strike in the near future. Active exploration has been in progress since 1956 in the Cagayan Valley and in the Visayas (southern islands).

Current domestic fertilizer production is about 175,000 tons; potential use is considerably greater. The devaluation of the peso early in 1962, which raised prices of imports, enabled domestic fertilizer producers to compete better with foreign suppliers. Production in two plants in 1962 was over 40% greater than in 1961.

A leading fertilizer producer located at Iligan City on Mindanao has announced plans to expand its facilities, and a $30-million fertilizer plant on Bataan is scheduled for completion in 1965. Anticipated annual production capacity of the Bataan plant is 81,240 tons of urea, ammonium sulfate, and mixed fertilizers. Total domestic capacity when this plant begins producing will be more than enough to supply local requirements. Some may be exported to other Southeast Asian countries.

In the meantime, imports of fertilizer will be required. Japanese and European suppliers now outsell those of the United States in this lucrative short-term market.

TEXTILE INDUSTRY

Import restrictions on textiles as well as the more recent protective tariffs and special legislative incentives have aided the Philippine textile industry, which has shown sustained growth. The 25 mills now operating are said to have doubled their capacity since 1959. One of these mills, capitalized at $15 million, has recently started production of denims and khaki.

The industry has 600,000 spindles and 16,000 looms which are capable of producing 315 million yards of cloth annually. In addition, it has facilities to bleach, die, and print 414 million yards annually. Actual production has been considerably below capacity.

The rapid increase in domestic production has decreased substantially the dependence on foreign supplies. Textile imports fell from $30.5 million in 1960 to $20.8 million in 1963. However, the growing demand for synthetic fibers and fabrics continues to be met by imports, primarily from Japan.

Garment making also has increased rapidly, aided materially by peso devaluation, which stimulated export sales. Production valued at $30 million in 1961 jumped to an annual rate of about $50 million in 1962.

The rapid expansion in the textile industry generates demand for a diversity of imports. Textile machinery is needed to outfit the mills; raw cotton to supply the machines; and dyestuffs, pigments, and caustic soda to treat the raw material and finish the goods.

In the summer of 1964, legislation was passed providing for 100% exemption from duties and taxes (except income tax) on textile industry imports—raw materials, chemicals, dyestuffs, spare parts and machinery—and on the manufacture and sale of finished products, from the date of approval of the legislation through December 31, 1971. Beginning in 1972, the percentage of exemption is to be reduced progressively until January 1, 1975, when it is to be terminated. This law is expected to give further incentive to the textile industry and to spur import demand for needed producer goods.

The United States supplies 20% of the Philippine imports of textile machinery, less than Japan, the principal supplier. This $15-million market is also shared by a number of other countries, including West Germany, Italy, and Switzerland. Large imports of textile machinery from Japan have been financed under that country's reparation program. Several large contracts with Japan are still reported to be outstanding.

Philippine imports of textile and leather machinery from major supplying countries in 1960-63 are shown in table 16.

Reportedly, U.S. textile machinery is higher priced but more efficient than Japanese and European models.

Japanese and European manufacturers extend terms up to 5 years, often with a downpayment of 10%. While U.S. suppliers often offer similar terms, application procedures for U.S. financing are often time-consuming and cumbersome. Because of the tight credit situation in the Philippines, local financing is difficult to obtain.

The substantial import market for textile machinery parts (over $5 million annually) is slowly being eroded by local production of parts and accessories. In recent years, the United States has been the principal supplier of parts and accessories, closely followed by Japan and West Germany.

Cotton product imports have dropped sharply. In 1950, 72% of cotton imports were in the form of finished cloth. By 1960, less than 15% were in this form. A study made for the U.S. Department of Agriculture had estimated that Philippine imports of cotton products would decline by 30% between 1960 and 1965, and to cease entirely by 1975. The 30% decrease has

ISLAND TEXTILE PLANT: Operotor shifts containers filled with machine-carded row cotton to make room for empties.

already occurred, abetted by a highly restrictionist Philippine tariff policy.

As the textile industry has expanded, its requirements for imported raw cotton have climbed, increasing twelvefold between 1950 and 1960. Raw cotton now ranks with rice, base metals, and petroleum products among the Philippines most important basic raw material imports. Imports of raw cotton are expected to continue to increase and to more than double the 1960 level by 1975.

The increase in requirements for raw cotton is expected to be favorable for U.S. suppliers who, since 1955, have held a substantially greater share (95%) of the Philippine raw cotton market than of the cotton manufactures market. Most of the remaining share of the raw cotton market has been supplied by Mexican exporters. Imports of raw cotton from the United States are expected to reach 73,700 tons in 1975, compared with 35,600 tons worth $19 million in 1961. The U.S. share of the market may fall, however (as it did substantially in 1963), as Mexican and South American competition increases.

Prominent U.S. exporters of raw cotton have stationed in the Islands full-time sales representatives who canvass the large textile mills directly. The method of buying raw cotton directly from suppliers is expected to displace increasingly the traditional purchasing of imports from trading houses.

The textile industry is also a heavy importer of textile dyes and chemicals. This market runs to more than $6 million annually. The large English, West German, Japanese, and Swiss chemical firms have been outselling U.S. competitors in every area except caustic soda in this excellent, expanding market. For example, the U.S. share of the market for coal-tar dyestuffs in 1963 was less than 5% despite the 25% tariff preference accorded U.S. suppliers. Of the total market of $2.5 million, imports from the United States totaled $369,000. West German sales volume exceeded that of U.S. suppliers, and Swiss sales volume was only slightly below that of the United States in the widely splintered market. Japan was an important supplier of lower quality dyes.

Swiss and German suppliers have offered their textile dyes and chemicals at prices which generally run 40% or more under U.S. prices, a gap these suppliers recently narrowed by a 15% across-the-board increase. The higher price of the U.S. products and the further decline in the U.S. preferential tariff position effective January 1, 1965, in the opinion of a leading distributor, will preclude any immediate gains in the U.S. share of the market.

In dyestuffs for synthetic textiles, however, the competitive position of the U.S. manufacturers should be strengthened. Domestic manufacture of synthetic textiles is likely to increase, and the U.S. chemical industry now leads in the development of dyestuffs for synthetic fabrics.

Production of higher quality cotton fabrics requiring better quality dyes could also improve the U.S. market position.

FOOD PROCESSING; TOBACCO

Food processing industries are developing rapidly in the Philippines. Pineapples are grown and processed for export; imported wheat is processed into wheat flour; imported powdered milk is recombined into evaporated canned milk; corn products, including corn oil, cornmeal, and animal feeds, are manufactured locally; fish, meat, and fruit are canned primarily for domestic consumption; corn and rice are milled; a large volume of beer is produced for local consumption and export; and sugar is processed and refined.

These expanding food processing facilities offer excellent sales opportunities for a number of basic raw materials, processing chemicals, and machinery and equipment, including refrigeration equipment, tinplate and tinplating machinery used in the production of tin cans, and fishing equipment. Moreover, as the food packaging industry expands, the use of packaging material for food handling will increase.

The import market for food and beverage processing equipment and parts alone amounts to $2 million. Traditionally, U.S. suppliers have held slightly less than half of this market. Japanese and West German exporters have been the principal competitors.

The Philippine flour milling industry was started in 1957 and now has eight milling units in operation.

Present capacity of 64,000 bags daily (50 pounds each) is about 20% higher than consumption of about 52,000 bags. High countervailing duties levied in March 1962 against United States and Canadian wheat flour imports brought U.S. shipments of flour down to 11 million pounds in 1962 from 125.4 million pounds in 1960.

Imports of wheat grain, which began in volume only in 1958, with purchases of 9,484 tons, increased to 450,120 tons in 1963. The United States has been the principal supplier although competition from Canada and Australia is increasing.

As more riceland is shifted to sugar production, demand for locally milled wheat flour should rise with a corresponding increase in wheat imports. If the United States maintains its share of the wheat grain import market, its exports should expand to 253,531 tons by 1965 and to 440,524 tons by 1975. It will have to hold its share against increasing competition from other countries, particularly Canada and Australia.

The rapid expansion of flour milling capacity has provided an excellent market for flour milling machinery. However, Swiss and British machinery have effectively eliminated U.S. makes from this market because of their high quality and lower price.

The bakery industry also has expanded sharply. Over 5,000 small bakeries are now operating, most of them small units using crude baking methods and mixing dough by hand. Not one is completely mechanized. Their imports of machinery for their operations are not as large as might be expected but the industry appears ready for mechanization and modernization. Many bakeries are no longer able to cope with the growing volume of business with their present ovens.

Ovens, mixing machinery, and related equipment for small bakery operations may sell well. Exporters should be prepared to give purchasers complete technical assistance in the installation of equipment and to train local bakers in its use.

Processing of milk, meat, and fish products is just beginning in the Philippines, but should increase in importance. The Five-Year Socio-Economic Plan gives high priority to the development of these industries.

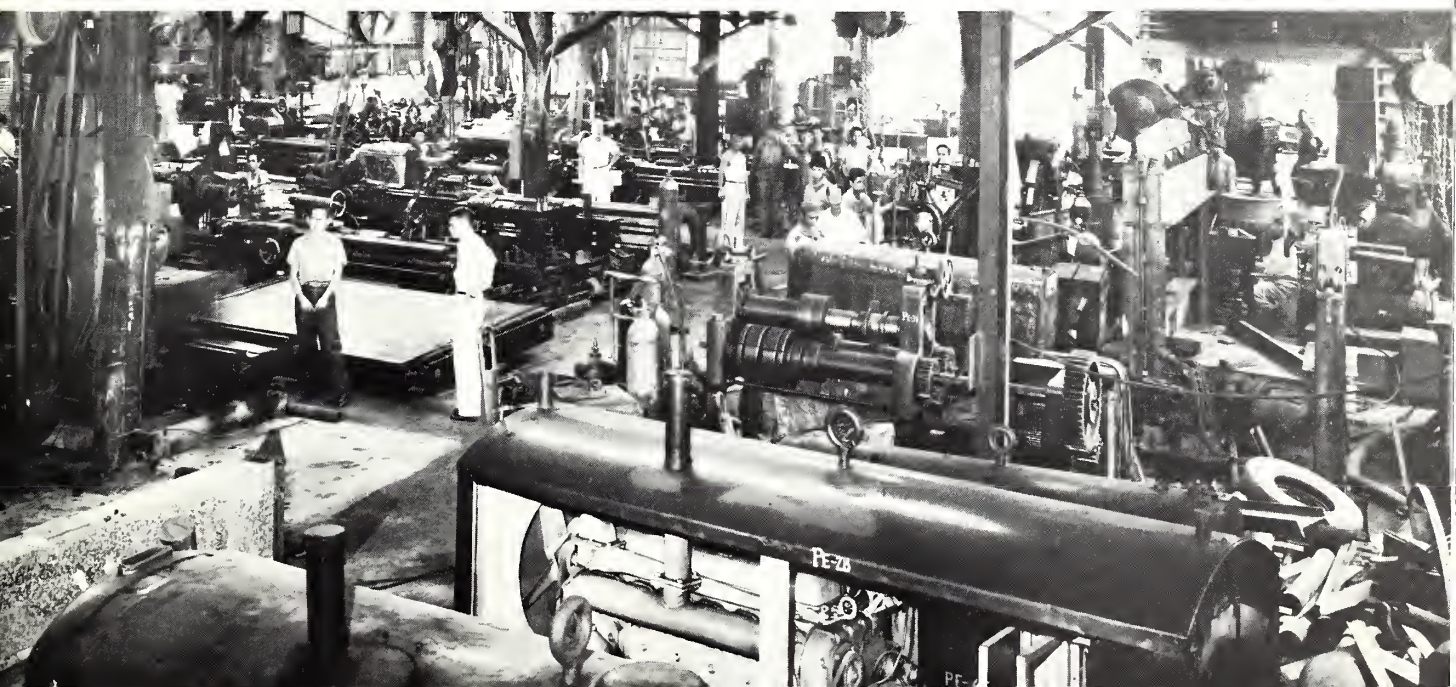
Pineapple canning for the domestic market and for export is the only large-scale food processing activity in the Philippines other than canning of filled milk. Pineapple canning is attracted to the Philippines because of the availability of cheap labor. Many workers are needed because all pineapples and pineapple slices are sorted by hand.

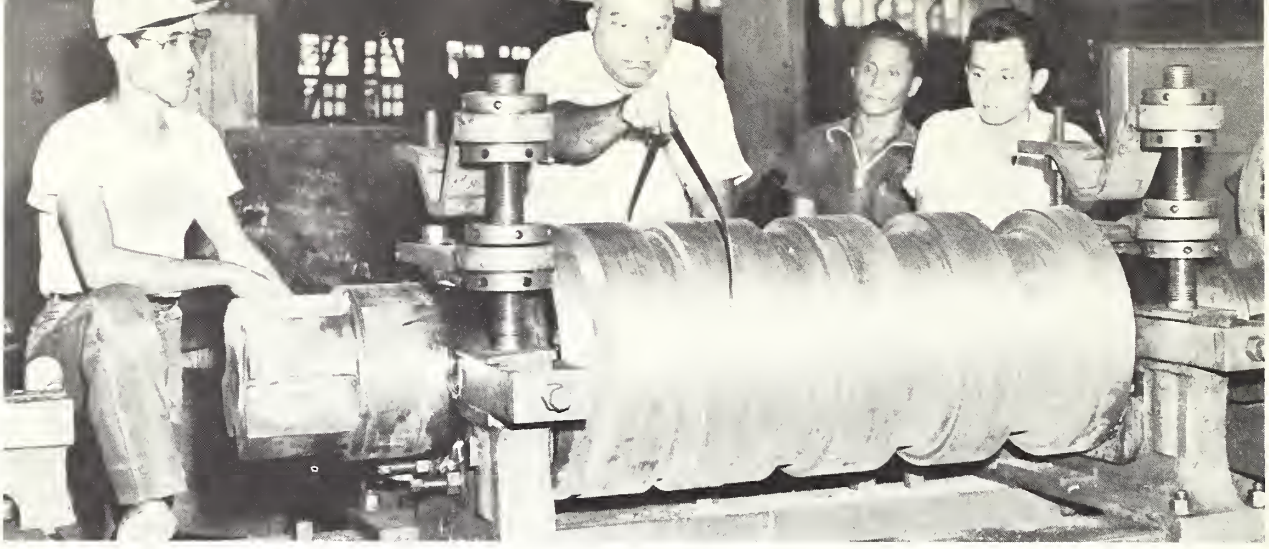
Arrangements recently were concluded for the investment of $24 million in an additional pineapple producing and canning operation. The machinery, equipment, and export labels for this type of operation usually are acquired in the United States.

Important byproducts of the pineapple canning industry are vinegar and ketchup. The bottles for these products are manufactured locally; however, the bottlecaps and labels for the most part are imported.

Rice milling is one of the Islands' major industries, comprising more than 4,000 mills located throughout the country. Rough rice (palay) accounts for 40% of the total agricultural production. Most rice is grown in the central plains of Luzon, the Cagayan Valley, and the delta lands of the West Visayan Islands. Although

MACHINE SHOP: Filipina workmen take a break from their labors in this heavy equipment repair shop.





PRECISION CHECKED: Filipino mochinists wotch on expert check o machine component with colipers.

only 30% of the land in these regions is irrigated, they produce 55% of the Nation's crop.

There are some 600 corn mills in the country; their combined capacity is about 567,000 tons. All but two of these mills are of the fairly simple, dry grain type. The other two are intricate wet-process mills with a total annual capacity of 50,000 tons. Output of these two mills includes starch, feedstuff, and other byproducts.

Until recently, corn was a relatively minor crop. However, between 1950 and 1960 the annual harvest almost tripled, reaching a 1960 level of 1.2 million tons. It is estimated that 70% of the corn crop is either milled or converted into starch.

The growing of tobacco and manufacture of cigars and cigarettes for local consumption or export are significant industries. Production of the 42 tobacco factories throughout the country approximates $80 million. At least one large cigar and cigarette factory in Manila produces quality cigarettes under a U.S. licensing agreement.

The cigar and cigarette industry at one time bought U.S. blending and wrapper tobacco worth $5 million to $10 million a year. Sales of the blending tobacco have been reduced since the Government adopted its highly restrictive import licensing policy in late 1961. However, liberalization of that policy by legislation adopted in June 1964 has improved prospects for imports of U.S. flue-cured tobacco. Tobacco processors are now permitted to import leaf tobacco for blending with local Virginia-type leaf tobacco if they purchase and export 4 kilograms (8.8 pounds) of the local tobacco for every kilogram (2.2 pounds) of foreign tobacco imported. Before the passage of this legislation, 9 kilograms (19.8 pounds) of local tobacco had to be exported for every kilogram of foreign tobacco imported.

The Philippine tobacco industry indicates that U.S. cigarette making machinery is no longer competitive in price in the Philippines. West German, Dutch, and Swedish machinery are slowly squeezing U.S. suppliers from the market. However, most of the quality paper used in the manufacture of cigarettes continues to come from the United States.

THE MARKET FOR SELECTED PRODUCTS

The increasingly competitive import market for electric motors is attractive and growing, although domestic manufacturers recently began producing these products. United States suppliers had dominated the market for some time because of the U.S. tariff preferences and the long delivery terms of European competitors. Now, however, the tariff preferences are being phased out and European delivery terms have improved. A major Japanese supplier is also stepping up efforts to increase market penetration.

Swiss and Swedish motors particularly are competitive. A selling feature of these countries' product is that their motors are completely encased as a protection against the hot, humid climate. A major U.S. supplier reportedly is making a vigorous attempt to regain a larger share of the market.

A complaint heard against U.S. suppliers of motors and electric equipment is that they do not supply catalogs voluntarily but only upon request while European and Japanese suppliers send them as a matter of course.

Almost no office machines and appliances are manufactured in the Philippines, so requirements must be imported. Office machines of all kinds are purchased. Small accounting and bookkeeping machines, duplicating machines, and cash registers are present-day best sellers. Purchases of the newer types of office appliances, such as portable addressers and duplicators, are increasing. Much of the equipment now in use in the Philippines carries U.S. brands.

Most of the well-known office machine exporters have branches or subsidiaries in the greater Manila area, which usually sell through retailers. Others are represented by importer-distributors who retail through their own outlets or sell to other retailers. Sales agents who solicit orders from importer-distributors are also common.

Importers of office machines and appliances advertise extensively in the leading newspapers and magazines and on radio and television. Most of the leading suppliers maintain large staffs of salesmen and often conduct demonstrations, seminars, and training programs for users and potential users. As is true of many other types of products, a well-known, accepted, brand name or trademark is an asset in selling.

The tariff duty on office machines and appliances is 15% ad valorem. Tariff duty on filing cabinets and similar office equipment made of base metals is 40% ad valorem, and on hand-operated dating stamps and similar stamps, 60% ad valorem. The U.S. equipment will be assessed 90% of these duty rates until the expiration of the Revised United States–Philippine Trade Agreement in 1974.

The domestic furniture industry is able to meet virtually all the local demand for wooden furniture and a large part of the demand for metal furniture. In addition, some of the industry's annual production of about $3 million is exported. However, furniture hardware, such as casters, hinges, catches, locks, pulls, rollers, brackets, sockets, and hooks are imported. At present, U.S. furniture hardware dominates the market, but Japanese and European products are said to be making inroads.

Since the main users of furniture hardware—the furniture manufacturers—are readily identifiable, marketing efforts can be direct. Furniture hardware sellers commonly wait to be approached by manufacturers, but it might be more productive for them to appoint a representative in the Philippines who would employ the more aggressive sales promotion techniques, such as advertising, direct salesmanship, and direct mail.

Prices of U.S. furniture hardware need not be as low or lower than the prices of competing foreign products, but they must be close to the general price range. The prestige of a U.S. manufactured product can overcome the disadvantage of its slightly higher price.

Imports are assessed a 15% ad valorem duty generally, and 13.5% for the United States through 1974. In addition, a 10% sales tax and a small special import duty are charged. No quantitative or licensing restrictions are imposed.

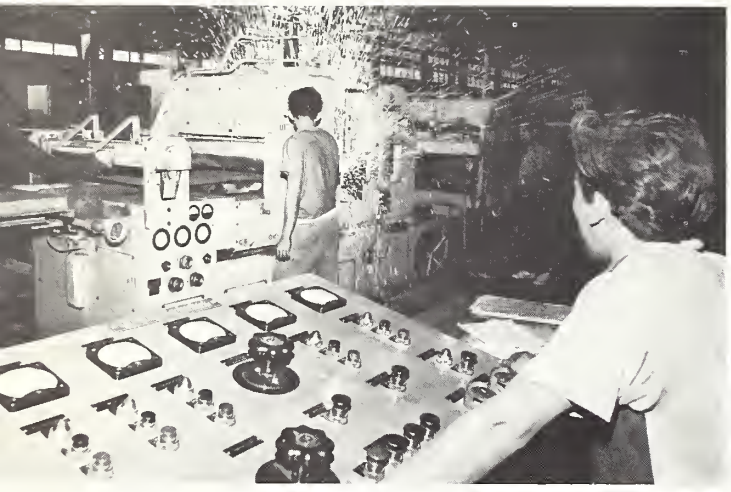
The rapid growth of mining, lumbering, construction, and manufacturing industries has rapidly increased the need for safety equipment, such as helmets, goggles, protective clothing, boots, safety lights, and safety shields. Goods coming from Japan and West Germany are the main competitors of the United States for these products, but Italian, Australian, French, and British items are becoming increasingly popular. Simple and reasonably priced U.S. goods continue to enjoy a slight competitive advantage.

Most safety equipment is sold in bulk directly to industrial end users by importer–distributors (trading houses) situated in the greater Manila area. Consumers of small lots buy their needs from retail houses that obtain their supplies from importers. Advertising in daily newspapers, demonstration of the product, and direct selling through salesmen and the mails are common sales techniques.

The ad valorem duty on safety equipment is 10% for certain types of safety helmets; 20% for safety goggles; 25% for safety equipment made of asbestos; and 50% for rubber miners' boots with steel toe linings. The U.S. products are assessed 90% of the above rates until 1974. All imports are taxed approximately 10% of the c.i.f. value of the import.

As the Philippine fishing industry develops, demand for outboard motors to power fishing craft should increase; equipment importers in the southern islands say that the present market there for well-known U.S. brand motors is excellent.

A large Manila-based trading firm predicts a growing demand for light planes in the Philippines. Large mining concerns have been in the market for light aircraft to transport personnel from Manila to the outlying mines in northern Luzon, Bohol, Samar, and Negros. Interest also has been shown in a helicopter leasing service.



CONTACT: Sparks fly as two sheets of steel are butt-welded (photo at left). Control equipment is U.S. made. In photo below, tractor finds going heavy in the wet field of a Philippine sugar plantation.

BASIC DATA

Chapter 4

THE REPUBLIC OF THE PHILIPPINES has a land area of 115,707 square miles (slightly larger than Arizona) distributed over more than 7,000 islands. It extends 1,152 miles from north to south and 688 miles from east to west, facing the Pacific Ocean on the east and the South China Sea on the west.

Eleven islands account for 94% of the total land area and contain most of the population. Luzon, the largest island, is about the size of Kentucky and has an estimated population of 14 million. (Manila, the Capital and commercial center of the Philippines, is located in southern Luzon and has a population estimated at 1.5 million.) Mindanao, the second largest island, is about the size of Indiana; its population totals 6 million. The other nine principal islands are Leyte, Panay, Mindoro, Samar, Negros, Palawan, Cebu, Bohol, and Masbate.

The Philippines is characterized by extensive valleys, often used for terraced rice cultivation, and by plateaus, low marshlands, and coastal plains. Elevations range from sea level to mountain peaks reaching 10,000 feet. Arable land accounts for one-third of the land area; forests cover 40%. Rapid deforestation in recent years has removed the land cover from certain areas, causing erosion and flood problems.

The climate is hot and humid the year around in lowland areas. Temperatures vary considerably at higher elevations. The annual mean daily temperature at Manila and Aparri (northernmost weather station) is 89°F.; and at Jolo (southernmost station), 93°F.

Rainfall generally is abundant, but because of prevailing winds, topography, and the location of the islands, varies considerably throughout the country. The annual average rainfall at Manila is 82 inches. Luzon and most of the northern part of the Visayan Islands are exposed to typhoons, which occur usually between July and November.

The population of the Philippines is over 30 million and is increasing 3.3% a year, one of the highest growth rates in the world. If this growth rate con-

tinues, the population in 1965 will be 32.7 million and in 1975, 45.1 million. More than one-third of the 1975 population is expected to live in urban areas.

The population is one of the youngest in Asia; 72% are under 30 years of age, and 56% under 20 years of age. The literacy rate and the proportion of professionals and college graduates to total population are high. Seven million Filipinos are enrolled in schools.

The labor force is estimated at 11 million, 60% of which is engaged in agriculture and 40% in nonagri-

cultural pursuits. About 300,000 new workers join the labor force each year. One million workers are members of some 2,800 labor unions which are predominantly in manufacturing, transport, communications, and commerce. Unemployment and underemployment are serious problems.

The dominant racial stock is Malay. Chinese, Americans, and Spanish—in that order—are the largest minorities. Americans other than Government and military personnel number 25,000; they are engaged primarily in business and trade.

Many indigenous languages and dialects belonging to the Malay group are spoken in the Philippines, but only three are of importance. These are Visayan, spoken in the central islands; Tagalog, in the Manila area; and Ilocano, in the north of Luzon. English is spoken or understood by about 40% of the population, and Spanish is the second language of about 500,000 Filipinos, almost all of them of the social elite. The Philippine Government is now trying to establish a national language—Pilipino, based on Tagalog—which it has made a required course in the schools.

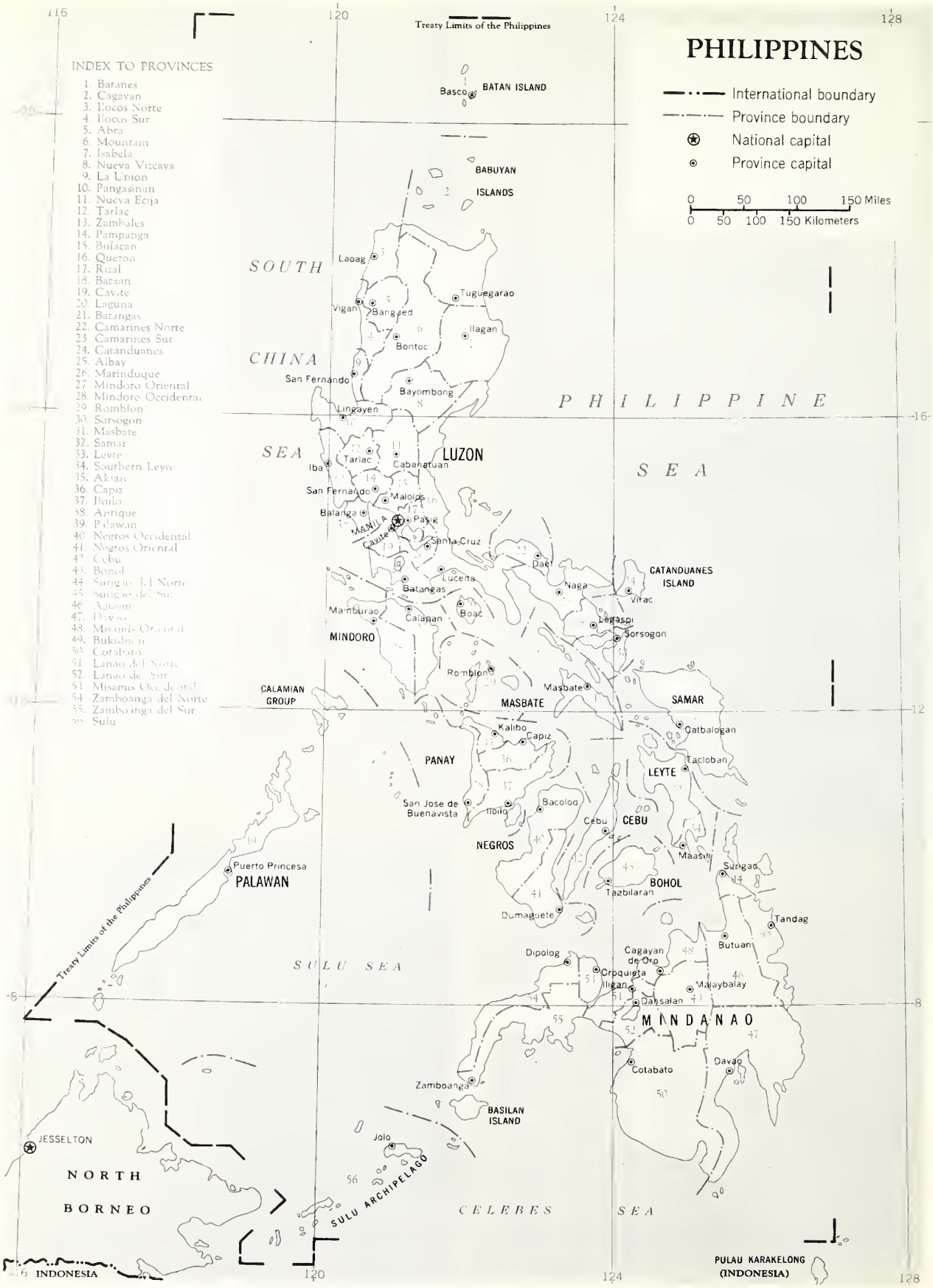
The Philippines is the only predominantly Christian nation in Asia. Roman Catholicism has the largest following—75% of the population. Protestants are next, with 15% of the population. Catholicism was introduced in the 16th century when Spanish rule was extended over the islands. Other faiths include Mohammedanism (in the southern islands), Buddhism, Shintoism, and Animism.

The extended family is the basic social unit and demands the primary loyalty of its members. Kinship is the basis for interpersonal relationships extending beyond the family into the community and the business world.

Health conditions, although generally superior to those of other countries of Southeast Asia, are considered substandard by many Philippine health officials. Malnutrition and disease are serious problems, and it is estimated that less than 25% of the population has a safe, adequate water supply the year around.

Under its free enterprise system, the Philippine economy produced $4.3 billion in goods and services in 1963. Growth of the economy averaged 6% annually in the 1950's, but has been running at about 5% annually thus far in the 1960's. Private consumption expenditures of $3.4 billion in 1963 accounted for approximately 77% of total national expenditures;

A NATION OF YOUNG PEOPLE: Three-quarters of Filipino men and women are under 30 years old.


PHILIPPINES
International boundary
Province boundary
National capital
Province capital
0 50 100 150 Miles
0 50 100 150 Kilometers
Treaty Limits of the Philippines
INDEX TO PROVINCES
1. Batanes
2. Cagayan
3. Ilocos Norte
4. Ilocos Sur
5. Abra
6. Mountain
7. Isabela
8. Nueva Vizcaya
9. La Union
10. Pangasinan
11. Nueva Ecija
12. Tarlac
13. Zambales
14. Pampanga
15. Bulacan
16. Quezon
17. Rizal
18. Bataan
19. Cavite
20. Laguna
21. Batangas
22. Camarines Norte
23. Camarines Sur
24. Catanduanes
25. Albay
26. Marinduque
27. Mindoro Oriental
28. Mindoro Occidental
29. Romblon
30. Sorsogon
31. Masbate
32. Samar
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34. Southern Leyte
35. Aklan
36. Capiz
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40. Negros Occidental
41. Negros Oriental
42. Cebu
43. Bohol
44. Surigao del Norte
45. Surigao del Sur
46. Agusan
47. Davao
48. Misamis Oriental
49. Bukidnon
50. Cotabato
51. Lanao del Norte
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Basco
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SOUTH CHINA SEA
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Bontoc
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Bayombong
Lingayen
LUZON
Iba
Tarlac
Cabanatuan
San Fernando
Malolos
Balanga
MANILA
Pasig
Cavite
Santa Cruz
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Lucena
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Mamburao
Calapan
Boac
Legaspi
Sorsogon
MINDORO
Romblon
CALAMIAN GROUP
Masbate
MASBATE
SAMAR
Kalibo
Capiz
Catbalogan
PANAY
Tacloban
LEYTE
San Jose de Buenavista
Iloilo
Bacolod
Cebu
CEBU
NEGROS
Maasin
Surigao
Puerto Princesa
PALAWAN
Tagbilaran
BOHOL
Dumaguete
Tandag
Butuan
Dipolog
Cagayan de Oro
Croquieta
Iligan
Malaybalay
Dansalan
MINDANAO
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8

per capita GNP reached $133. Selected economic indicators of the Philippine economy for 1959-63 are shown in table 17.

Agriculture, of primary importance to its economy, accounted for 23.8% of the Philippine national income in 1963 and employed 59% of the population. Main crops are rice and corn, which account for about 44% and 22%, respectively, of the land under cultivation. Because of capital shortages and lack of good farm management, agricultural production in recent years has risen only slightly faster than the rapidly expanding population. Coconut products, sugar, abaca, tobacco, and pineapples are important export crops. Foreign sales of these products in 1963 amounted to 50.5% of the value of commodity exports.

Logging and lumber production have become increasingly important to the overall economy. Hardwood forests cover 40% of the land area of the Philippines, constituting one of its major natural resources. Of this forest land, 70% is regarded as commercially exploitable. The annual cut of estimated standing timber has increased from 1.1 billion board feet in 1950 to 3.9 billion board feet in 1963. In 1963, forestry accounted for 6.7% of the national income. Logs and lumber exports doubled between 1959 and 1963. Export earnings are running in excess of $150 million annually. Production and export of plywoods and veneers have been steadily expanding.

Mining accounted for only 1.9% of Philippine national income in 1963, but it is an important foreign exchange earner, for more than 80% of the minerals mined are exported. The principal minerals produced are chromite (the Philippines is the world's leading supplier of refractory chromite), copper concentrates, iron ore, gold and silver, and coal. Manganese ore, pyrites, mercury, sulfur, and zinc are also produced. The Philippines is one of the most highly mineralized areas in Asia with estimated reserves of 59 million tons of iron ore, 12.4 million tons of chromite, 618 million tons of nickel-bearing ore, and estimated coal deposits of 71 million tons including about 9 million tons of coking coal. Petroleum explorations have been underway for some years, but exploitable deposits have not been discovered.

The Philippines has 14,400 miles of coastlines and lies in a fertile fishing belt, but domestic fisheries have not been adequately exploited and fish production is below national requirements. The Philippines still relies on imports of canned fish.

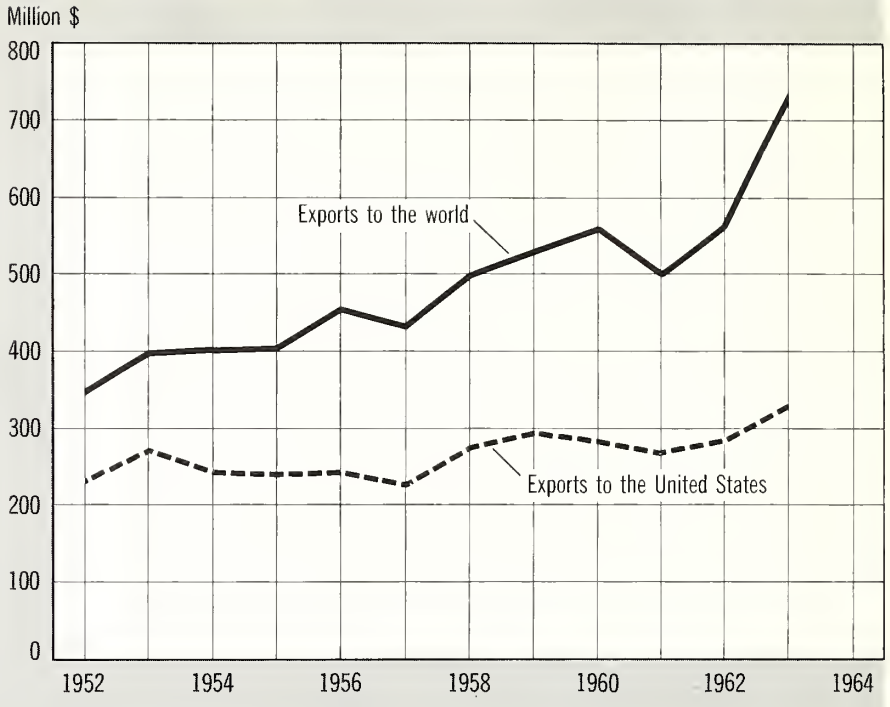
The manufacturing sector accounted for 18.5% of national income in 1963 but employed slightly less than 5% of the labor force. In the past decade, manufacturing production has trebled in value, owing mainly to the growth of import substitution industries largely engaged in the production of nondurable goods for the domestic market. Industries processing agricultural products and food, beverage, and tobacco industries accounted for 42% of the gross value of manufacturing production in 1963.

The Philippines has a rapidly expanding textile industry and a growing chemical industry producing fertilizers, sulfuric acid, resins, caustic soda, paints

FISHERMEN UNTANGLE NETS: Fishing methods, equipment are obsolete. Canned fish must be imported.

Philippine Exports to the World and to the United States, 1952-63

(Millions of U.S. dollars)



Source: Central Bank of the Philippines, Manila, the Philippines, Statistical Bulletin, Vol. XV, No. 4, December 1963, p. 161.

and varnishes, tires and tubes, pharmaceuticals, vegetable oils, and fats. The iron and steel industry is largely limited to the rolling, finishing, and fabrication of imported semifinished and primary iron and steel products, although two integrated steel mills are planned. Oil refining, cement production, and pulp and paper production are well established in the Philippines. An increasing number of manufacturing and assembling plants is being established. Table 18 shows the breakdown of national income by industrial origin for the years 1961-63.

TRANSPORTATION AND COMMUNICATIONS

Inadequate transportation and communication facilities are a deterrent to accelerated economic growth in the Philippines. Construction of roads, railroads, and interisland shipping facilities have lagged; ports and harbors have become silted to some degree, and necessary expansion has not taken place. Expanded business activity calls for increased telecommunication availability. The Five-Year Socio-Economic Plan gives high priority to the development of these facilities.

Internal transportation facilities consist of about 1,150 miles of railways on the islands of Luzon and Panay, 32,900 miles of roads (8,400 miles of which are paved), and ferries linking the major islands. Motorbus and motortruck services extend throughout the major islands, and coastal shipping serves more than 350 ports, including the principal cities and towns. Volume of freight by road has increased substantially since World War II.

Approximately 915 miles of railways in Luzon and 72 miles in Panay are operated by the Philippine National Railways and the Philippine Railway Company, a private company. Freight and passenger traffic on the Philippine National Railways in 1963 totaled 103.4 million ton miles and 610 million passenger miles, and on other railways (primarily local branch lines), 5.9 million ton miles and 53.8 million passenger miles.

The Philippines is connected with principal ports throughout the world by regular shipping services and is served by a number of international airlines which provide frequent air access to all the principal cities in Southeast Asia and other parts of the world. Philippine Air Lines, which is owned jointly by private inter-

ests and the Philippine Government, provides both international and domestic service. It flew 335 million passenger miles in 1963.

Telephones in service at the end of 1962 totaled 130,000, compared with 29,000 at the end of 1953. Service extends to the principal islands. Ninety percent of the telephones are installed in Manila.

ELECTRIC POWER

In 1963, the generating capacity of the Philippine electric power industry was 731,000 kilowatts (kw.) of which 291,000 kw. was generated by hydroelectric plants, 353,000 kw. by thermal plants, and 7,000 kw. by diesel plants. The bulk of the electricity is produced by two large entities—the Government-owned National Power Corporation and the privately-owned Manila Electric Company—which together account for more than 98% of total production. Both companies have announced long-term plans to expand capacity with the help of external credits. A large number of smaller companies produce electricity; for example, many sugar centrals maintain their own generating plants, as do lumber mills, pineapple canning plants, and mining operations.

In the last decade, demand for and production of electrical power has grown rapidly. Between 1954 and 1963 annual per capita consumption increased from 42 kw.-hr. to 132.3 kw.-hr. Per capita consumption is expected to rise to 150 kw.-hr. in 1965 and to 200 kw.-hr. by 1970. Total electric power production increased from 960 million kw.-hr. in 1954 to 3,407 million kw.-hr. in 1963. Continued expansion of the electric power industry has high priority in the Philippine Government's development program under the Five-Year Socio-Economic Plan.

FOREIGN TRADE

In 1963, an outstanding year for Philippine foreign trade, exports rose more than $150 million over 1962 totals to the unprecedented high of $727.1 million. Imports, on the other hand, increased only slightly—from $586.7 million to $618.2 million. This was the second time since 1949 that the balance of trade was favorable for the Philippines. In the other year—1959—exports exceeded imports by $6 million, compared with $108.9 million in 1963.

OPEN PIT MINE: Trucks return for ore at the Atlas Copper Mine, Cebu, the Far East's most modern copper mine.

Exports through September 1964 were running slightly higher than in the first 9 months of 1963, and imports were more than $120 million higher. The balance of trade therefore probably was unfavorable by a small margin in 1964. The balance on the capital account also may have been adverse. The Philippines has experienced periodic foreign exchange difficulties.

Most trade is with five industrialized countries—the United States, Japan, West Germany, the United Kingdom, and the Netherlands. In 1952-63, these countries accounted for 80 to 84% of total Philippine trade. However, their share of imports declined steadily (from 79% in 1952 to 75.8% in 1962 and 71.3% in 1963), while their share of exports increased. In 1963, 90.7% of all Philippine exports were channeled to these countries. Philipipne trade with principal trading partners in 1952 and 1960-63 is shown in table 19.

The composition of Philippine imports has been significantly affected by the diversification of the Philippine economy in the last decade. Imports for which demand is rising are industrial and electrical machinery and transport equipment (total imports are in excess of $200 million); and certain basic raw materials not available in the Philippines, including raw cotton, crude petroleum, base metals, wheat, and hides and skins. Imports of foodstuffs, particularly rice (production of which has been decreasing as rice lands are converted to sugar production) and feedstuffs are also increasing. Demand is expected to be high for certain chemicals, chemical specialties, and plastics pending the development of an integrated chemical industry.

Philippine foreign trade by major commodity groups for 1955 and 1960-63 are shown in table 20, and imports of 10 principal commodity groups by major supplying countries for 1952, 1955, and 1961-63 are shown in table 22.

Unlike imports, exports have been little affected by the diversification of the economy in the last decade, although they have expanded rapidly. Primary products, for the most part shipped to a single country, continue to make up most of the exports. In order of importance, the ten major exports shipped are, in millions of U.S. dollars, for 1954 and 1963:

	1963	*1954*
Copra	168.3	130.1
Logs and lumber	152.9	35.6
Sugar	146.5	105.6
Coconut oil	46.7	16.6
Copper concentrates	31.7	1.3
Plywood	31.7	0.2
Abaca	31.6	26.3
Desiccated coconut	18.4	13.5
Copra cake or meal	11.4	3.8
Iron ore	11.0	10.7

In 1954, these products comprised 85.8% of total Philippine exports. Ten years later, in 1963, their share of total exports was slightly higher, 87.3%.

Exports of 5 of these 10 principal products—sugar, logs and lumber, coconut oil, plywood, and copper concentrates—have shown potential for long-term growth. But with the exception of 1963, exports of copra, abaca, desiccated coconut, iron ore, and copra cake or meal have been stagnant since the early 1950's.

Nonagricultural exports showing possible long-term growth potential include light manufactured goods, products of the Philippine cottage industries, certain refined petroleum products, processed foods, lumber products, textile yarns, fabrics and made-up articles, and possibly cement and fertilizer. Agricultural exports which show good growth potential are pineapples and bananas.

The Philippine Government hopes to broaden the existing narrow export base, both in terms of the composition of exports and diversification of export markets.

The scheduled decrease in duty-free tariff quotas and tariff preferences accorded Philippine exports to the United States under the Revised United States-Philippine Trade Agreement is causing concern among Philippine officials. They fear the Islands' market in the United States for such exports as coconut oil, sugar, plywood, embroideries, cigars, and scrap tobacco may suffer.

DEVELOPMENT PLANNING

The Philippine Government adopted in 1962 a Five-Year Socio-Economic Plan which it placed under the supervision of a special cabinet-level body, the Project Implentation Agency. Although it recognizes the primacy of the private sector, the plan calls for the Government to establish those enterprises necessary for economic development in which the private sector is unwilling or unable to engage. As in the past, it is the declared policy of the Government to sell such industries to private interests whenever possible.

Under the plan, economic growth is to be accelerated by increasing the ratio of gross domestic investment to GNP, presently one of the lowest ratios in the world. To do this, domestic savings by 1967 will have to be raised from the 1962-63 level of 14-15% of GNP to

MOUNT MAYON: This octive volcano in southeast Luzon enlivens the quiet horbor of Alboy.

approximately 20%. About $870 million in foreign capital inflows will be needed to supplement local capital required for projects under the plan. Domestic production is expected to increase 6% annually at the end of the 5-year period. (Thus far in the 1960's, the rate of increase of real GNP has averaged between 4 and 5%.)

Other important objectives of the plan are to increase tax revenues through stricter enforcement of tax laws and tax reform and to promote income redistribution and land reform.

To date, the economy has fallen short of the projected goals of this 5-year plan. The slow progress can be attributed to failure of public and private investment to meet projected levels and to the inability of the administration to obtain Congressional approval for much of its proposed economic legislation, such as tax reforms and laws clarifying the investment climate.

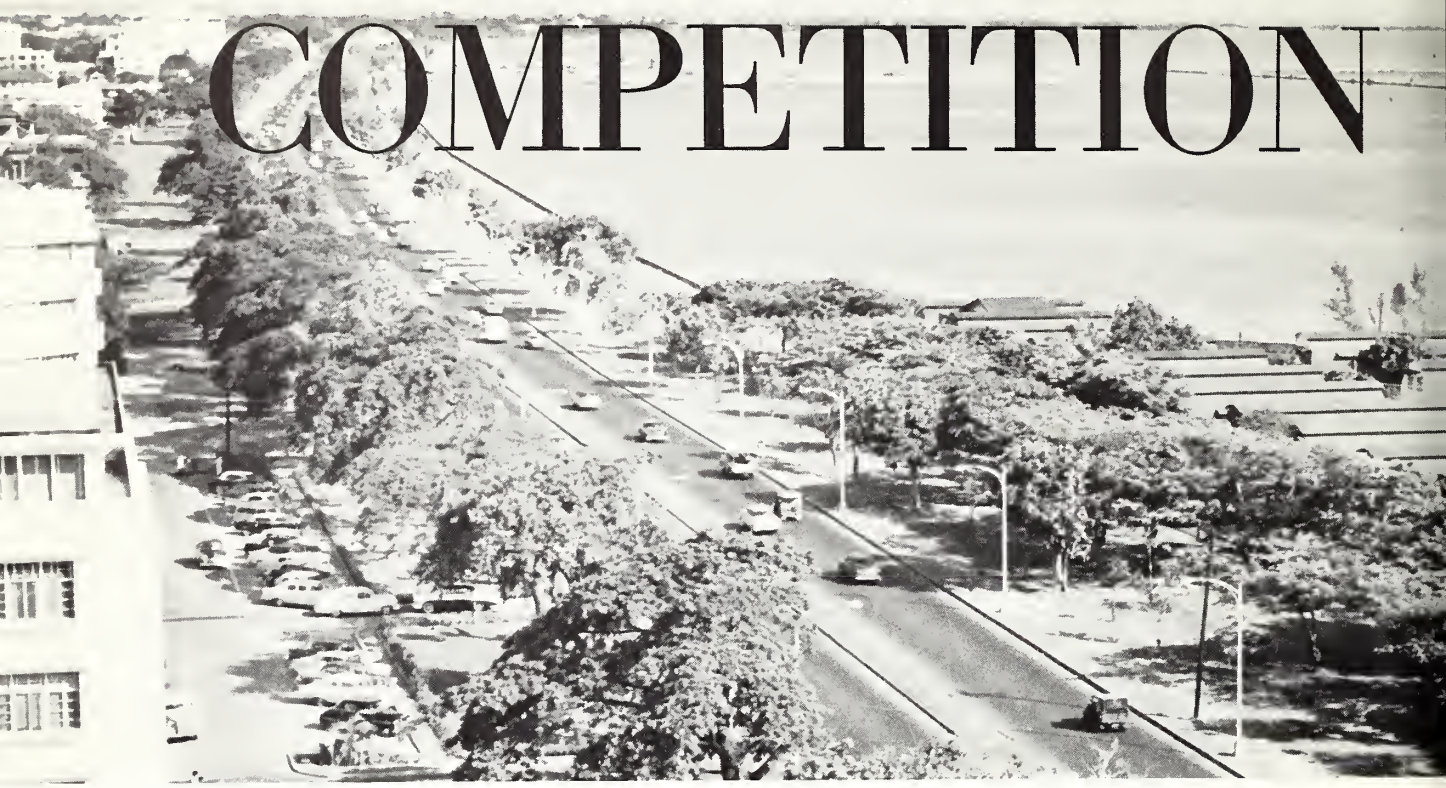
About $630 million in expenditures (P2,453.4 million) was budgeted by the Philippine Government for the fiscal year ending June 30, 1965, P300 million more than in fiscal year 1964. The largest in the Nation's history, this budget reflects the country's expanded needs for public works, agricultural development, industrial promotion, educational and health services, national defense, and public administration. Three-fourths of the expenditures is earmarked for economic and social development outlined in the 5-year plan.

Approximate amounts programed for infrastructure development are, in millions of U.S. dollars:

Highway development	45.7
Port and harbor works	8.9
Airports and airways	8.8
Railroads	8.5
Communications	2.1
Power development	37.1
Water supply	22.7
Irrigation, flood control, public buildings, and preliminary engineering	36.7

Imports of machinery and equipment and foodstuffs are scheduled under these programs. Procedures for bidding on Philippine Government procurements are outlined in Chapter 6, Marketing Channels and Aids.

THE COMPETITION



Chapter 5

STABLE U.S. PRICES in recent years relative to those offered by principal competitors in the Philippines contributed to record U.S. sales of more than $360 million in 1964. However, competition for this growing market from third country suppliers, local manufacturers, and foreign subsidiaries of U.S. companies remains intense.

Chief third country contenders for this market by rank are Japan, West Germany, United Kingdom, Indonesia, Canada, and the Netherlands. In addition, Italy, France, Belgium, Switzerland, Sweden, Australia, New Zealand, Hong Kong, and Taiwan have recently stepped up trade promotional activities and are increasing their share of the market.

An important factor in Japanese and European suppliers' competition for the Philippine market is their practice of offering more liberal credit terms than U.S. suppliers generally extend. The significance of this factor should not be overlooked. Credit, next to price, is a key consideration in the Philippine market.

The Philippines is a capital-scarce economy. Local credit facilities are inadequate. Philippine enterprises, most of which lack sufficient working capital, must lean heavily on credit from domestic and/or foreign banks and foreign suppliers. Often they can pay for imported goods only after these goods have been used to increase production and sales or, as in consumer goods lines, after they have been sold. Sometimes these firms finance purchases of imports from one country by means of loans obtained from another. For example, a prominent Filipino firm financed U.S. equipment imports through loans made by Japanese financial houses. United States banks often finance the importation of European and Japanese equipment.

Because of the scarcity of both domestic capital and credit facilities, suppliers should be prepared to consider each sales and credit transaction on an individual

ROXAS BOULEVARD, MANILA: This broad highway takes motorists into Manila along a beautiful stretch of the Bay.

basis, taking into account the nature of the product, the amount involved, the reliability of the consignee, and the credit terms offered by competitors, among other factors.

CREDIT TERMS

Three principal forms of credit are extended to finance Philippine imports: Suppliers credit, which is extended by exporting firms to importing firms for 5 years or less; financial credits, extended by foreign banks to foreign importers or agent banks for more than 5 years; and the longer term public credits extended by foreign governments for 10 years or more.

Many European firms selling in the Philippines offer deferred payment terms of up to 5 years, the limit set for suppliers credit by the Berne Union, to which most European countries adhere. Nonmembers of the Berne Union are not required to adhere to these limitations. A recent example of a German supplier credit involved machinery for a sugar mill. The credit terms required payment of 10% with placement of the order, 10% with presentation of shipping documents, and the balance in 10 semiannual installments, the first due 9 months after delivery of machinery. Japanese private financing terms reportedly reach 7 to 10 years and longer, granted in particular to those Philippine companies exporting to Japan. U.S. firms are beginning to offer credit terms up to 5 years and perhaps longer, but as a rule have been followers rather than leaders in the credit field.

The Germans in particular are finding longer term financial credits an increasingly useful device. These credits can serve as a bridge between the shorter term supplier credits and the longer term public credits extended by Governments. An example of public credits is the $10 million loan from the West German Government to assist in the development of the interisland shipping industry, announced by the Philippine Government in February 1964. The terms of the loan are understood to provide for an interest rate of 3.5% and repayment over 15.5 years with a 3-year grace period.

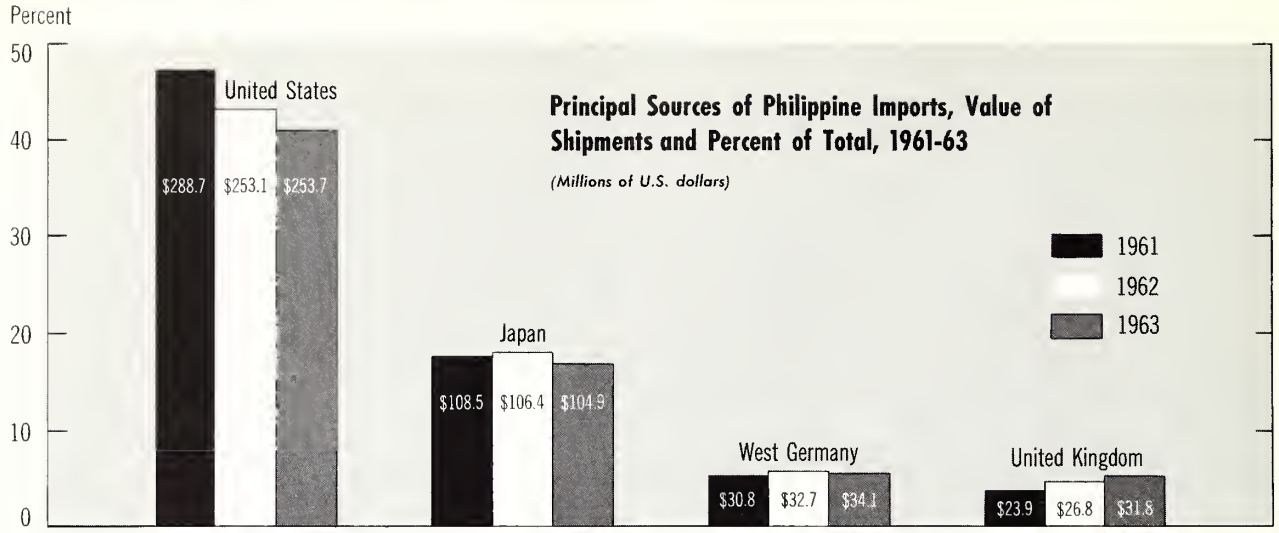
The possibility of obtaining vessels from Japan had been explored previous to the conclusion of the negotiations with West Germany, but, despite lower prices quoted by Japanese shipyards (5 to 10% below West German quotations), the Japanese reportedly were not able to match the financing terms offered by the West Germans. One of the unsuccessful Japanese offers (from a private shipbuilding firm) was to advance 80% of the materials and 60% of the plates, engines, and auxiliary materials, payable in 5 years at 6%. A down payment of 20% of the total costs of materials would have been required upon signing of the contract.

JAPAN

Despite the fact that they do not have a Treaty of Friendship, Commerce, and Navigation with the Philippines, the Japanese have been remarkably successful in penetrating the Philippine market. In the 10-year period 1954-63, they have increased their exports to the Philippines from $29.1 million to $104.9 million.[1]

Among the factors responsible for the success of the Japanese is the promotion their goods and services have received as a result of the reparations agreement that they negotiated with the Philippines in settlement of the claims stemming from World War II. Under this

[1] Two-way trade between Japan and the Philippines also has increased steadily—four-fold in the period 1954-63, from $79.6 million to $303.2 million. During most of this period, the balance of trade was favorable to the Philippines.



Principal Sources of Philippine Imports, Value of Shipments and Percent of Total, 1961-63

(Millions of U.S. dollars)

Source: Central Bank of the Philippines, Manila, the Philippines, Statistical Bulletin, Vol. XV, No. 4, December 1963, pp. 161-170.

agreement, $550 million in goods and services and $250 million in commercial loans are made available over a 20-year period to the Philippine Government and qualified Philippine firms.[2] The payments are allocated on a year-to-year basis. For example, reparations scheduled for the year July 23, 1962, through July 22, 1963, included $8.5 million in capital goods for the Government sector, $37.1 million in assorted machinery and equipment for the private sector, $8.3 million in consumer goods for both the Government and private sectors, and $1 million in services.

The commercial loans provided for in the reparations program have not yet been drawn upon because of the relatively high rates of interest, the 20% downpayment requirement, and unfavorable repayment terms within an average of 7 years. However, this loan source is being considered by the Philippines for the financing of the Marikina River Dam Project, the extension of railway facilities to the Cagayan Valley, and the modernization of the telecommunications system.

While the Japanese reparations program has served as an opening wedge to expand economic and commercial relations with the Philippines, more normal Japanese business and trade relationships are gaining momentum. Because of the proximity of the two countries, Japanese suppliers have an advantage over U.S. and European exporters in transportation and travel costs, speed with which merchandise can be delivered, and ease of travel by businessmen, technicians, and engineers.

The unique pattern of trade between the Philippines and Japan also contributes to expanding commercial relations between the two countries. The Philippines supplies some of the raw materials (particularly metals and minerals and logs) needed by Japan's industrial complex. Japan, in turn, is a principal supplier of finished and semifinished products needed by Philippine industry, such as base metals and certain machinery items. As a consequence of these close trading relations, Japanese industry, working in cooperation with large Japanese trading houses, is frequently in a good position to offer machinery and equipment on favorable terms, including liberal payment terms and/or barter arrangements, and to promptly provide technicians and engineers for installation of Japanese machinery and equipment or for a survey of Philippine sources of raw materials.

Japanese exports to the Philippines are channeled through large Japanese trading companies. These firms are, in most cases, not just trading firms, but horizontal multiactivity business organizations which include holdings and operations in real estate, banking, manufacturing, merchandising, and transportation, including ocean shipping. Those with banking interests often are able to offer liberal credit in closing a business transaction. In their trade with the Philippines, these companies often supply equipment to logging and mining firms under barter arrangements which permit payment in Philippine exports. In closing some business deals, these Japanese trading firms have offered to supply U.S. made equipment or U.S. brand products manufactured in Japan.

[2] Only 100% Filipino-owned firms are eligible for reparations payments.

The Japanese trade promotional efforts extend to other fields as well. Leading newspapers frequently feature special sections promoting Japanese products and services. Balloons advertising Japanese goods are floated over Manila. Many neon signs in Manila and other Philippine cities flash the names of Japanese products.

In many product lines, including a wide range of consumer goods, the Japanese can offer the Philippine buyer lower prices than those of their competitors. This is because of the Japanese advantages in labor and transportation costs, and because many of the products they produce for the Philippine market are simpler in function and design than the makes of other foreign suppliers. This simplicity helps not only to keep costs down but to sell goods because the less complicated, less sophisticated machinery is entirely satisfactory for the small-scale operations of the greater part of Philippine industries.

Proximity to the Philippine market enables the Japanese supplier to enhance his competitive position since lower transportation costs contribute to lower duty costs. Philippine duties are assessed on the c.i.f. value of the imported product.

Thirdly, the Japanese are willing to process small orders. Since most Philippine industries are small, their import requirements for raw materials, equipment, etc., are necessarily in small quantities (2 tons of special steel, odd lots of caustic soda, small amounts of chemicals or plastic materials). The Japanese actively court this small-order business; U.S. and European suppliers do not, to the same degree. Failure of U.S. suppliers to pursue this business concedes a good portion of the Philippine market to the Japanese.

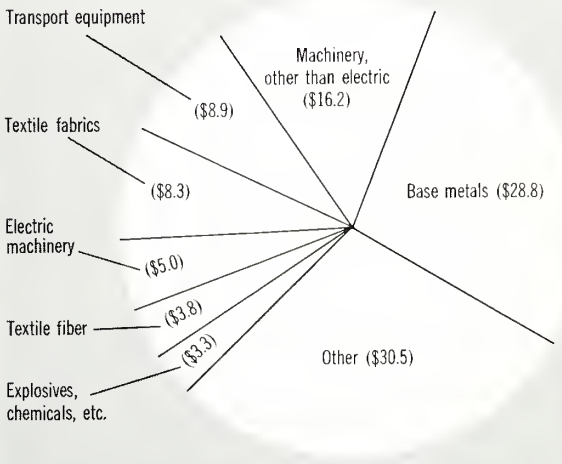
EUROPEAN COUNTRIES

European suppliers are capturing an increasing share of the Philippine market. In the 10-year period 1954-63, Philippine imports from Europe (excluding Eastern Europe) have approximately trebled, amounting to $110.6 million in the latter year. Europe's success in penetrating the market is attributable to increased market promotion activities, including the dispatch of trade delegations and/or trade expositions to the Philippines and extensive product advertising in this market; the offering of liberal loans and credits (often with Government support and guarantees); willingness to fill small and odd-lot orders; and provision of Government and private technical assistance when needed. Declining tariff preferences accorded

"A full evaluation of changing competitiveness in world markets is, of course, extremely difficult. International competitiveness involves many dimensions. Quality, product design, promotion expenditures, financing arrangements, service facilities, delivery terms —all play some role in determining which exporter receives an order. But it is clear that the movement of U.S. prices relative to those of our competitors is a matter of great importance. And in recent years, the record of U.S. prices has been excellent. Since 1958, wholesale prices of industrial products have risen less in the United States than in any industrial country—although devaluations in France and Canada helped to offset the impact of higher domestic prices on these countries' exports. Unit labor costs in manufacturing have also risen less here than in any other major country."—From President Lyndon B. Johnson's Economic Report to Congress, January 1965.

Philippine Imports From Japan, 1963

(Millions of U.S. dollars)



Source: Central Bank of the Philippines, Manila, the Philippines, Statistical Bulletin, Vol. XV, No. 4, December 1963, pp. 195-202.

U.S. suppliers in recent years have strengthened the competitive position of European suppliers just as have other factors, such as price and credit competition, lower transportation costs, and the general postwar recovery of European economies. Contributing further to the expanding trade relationships between Europe and the Philippines, is the Philippine Government's policy of seeking to broaden the overall Philippine trading base. West Germany and the United Kingdom are examples of European countries which have been particularly successful in increasing their exports to the Philippines.

Philippine trade with West Germany has expanded steadily, rising from $19.4 million in 1954 to $36.9 million in 1958 and to $87.5 million in 1963. Philippine imports of West German products, in turn, have steadily increased to reach a postwar high of $34.1 million in 1963. With the exception of 1963, the balance of trade has been slightly adverse to the Philippines. The closer commercial relations between the two countries was highlighted by the signing of a trade agreement in early 1964 providing for protection of investments and including an understanding on visa and immigration matters.

As indicated, the West Germans have been particularly effective in price and credit competition. By offering lower quality goods at lower prices, German suppliers have displaced some U.S. equipment in the small machine shops, repair shops, and household tools market (saws, hammers, handtools). The personal attention of German salesmen to cultivation of the Philippine market, including sales trips to principal cities outside of Manila and careful cultivation of Philippine businessmen both in the Philippines and in West Germany, also is earning sales dividends.

Philippine imports from West Germany have been particularly significant in the following: Boiler parts, diesel engines, tractors, metalworking machine tools, lifting and loading machinery, printing machinery and parts, textile machinery, sugar mill machinery and parts, food and beverage processing machinery, electrical generators, dynamos, turbines, motors and parts, telecommunications equipment, unassembled trucks and cars, coal tar dyestuffs, inorganic chemicals, plastic materials, pigments and paints, iron and steel products, fertilizers, plastics, handtools, and lathe tools, bits, dies, and taps.

The United Kingdom is second to West Germany as the Philippines' most important trading partner in Western Europe. Philippine–United Kingdom trade has risen steadily in recent years, and in 1963 accounted for 3% of total Philippine trade. Balance of trade has generally been in the United Kingdom's favor. In 1963, Philippine imports from the United Kingdom of $31.8 million, an alltime high, represented 5% of total Philippine imports.

The United Kingdom is an important supplier of boilerhouse plant, diesel engines, engine parts, crawler and wheel type tractors and parts, accounting and bookkeeping machinery, pumps and parts, excavating, leveling and boring machinery, woodworking machinery, papermill and pulpmill machinery, electric motors, television apparatus, telecommunications equipment, unassembled passenger cars and trucks, small aircraft, caustic soda, dynamite and industrial explosives, and tinplate.

Transportation costs to the Philippine market are lower for British suppliers than for their U.S. competitors. In addition, the British are making relatively greater use of Hong Kong as a storage facility and transhipment point for Philippine market. Present British promotional efforts there are less conspicuous than those of other major supplying countries.

AUSTRALIA AND NEW ZEALAND

Philippine trade with Australia and New Zealand is expanding. Australian trade promotional efforts have been aggressive, and have had the active support of the home Government. Shipments of Australian products to the Philippines increased from $4.9 million in 1955, to $7.1 million in 1960, $11.2 million in 1962, and $15.8 million in 1963. Dairy products and cereals and preparations, which include wheat and wheat flour, have been the most significant Philippine imports. Others are zinc and zinc alloys worked and unworked; meat and meat preparations (these are becoming increasingly important); malt; fruits and vegetables; animal feedstuffs; coke; some fabricated steel and other iron and steel products, such as grinding balls used in ore crushing; and hardware.

Imports from New Zealand have also increased sharply, from $359,000 in 1955 to $1.9 million in 1962.

Suppliers from these two countries also have an enormous advantage in transportation costs because of their proximity to the Philippine market.

Australia and the Philippines recently signed a trade agreement which should further strengthen their trading ties. The agreement provides for most-favored-nation treatment between the two countries but recognizes the tariff preferences accorded each other by the United States and the Philippines, and by Australia and the British Commonwealth nations.

CANADA

Balance of trade with Canada is overwhelmingly in favor of the Canadians. In 1963, Philippine imports from Canada totaled $17.4 million while exports to Canada were slightly more than $1 million. Trade in both directions has remained at the present level from 1958 through 1963.

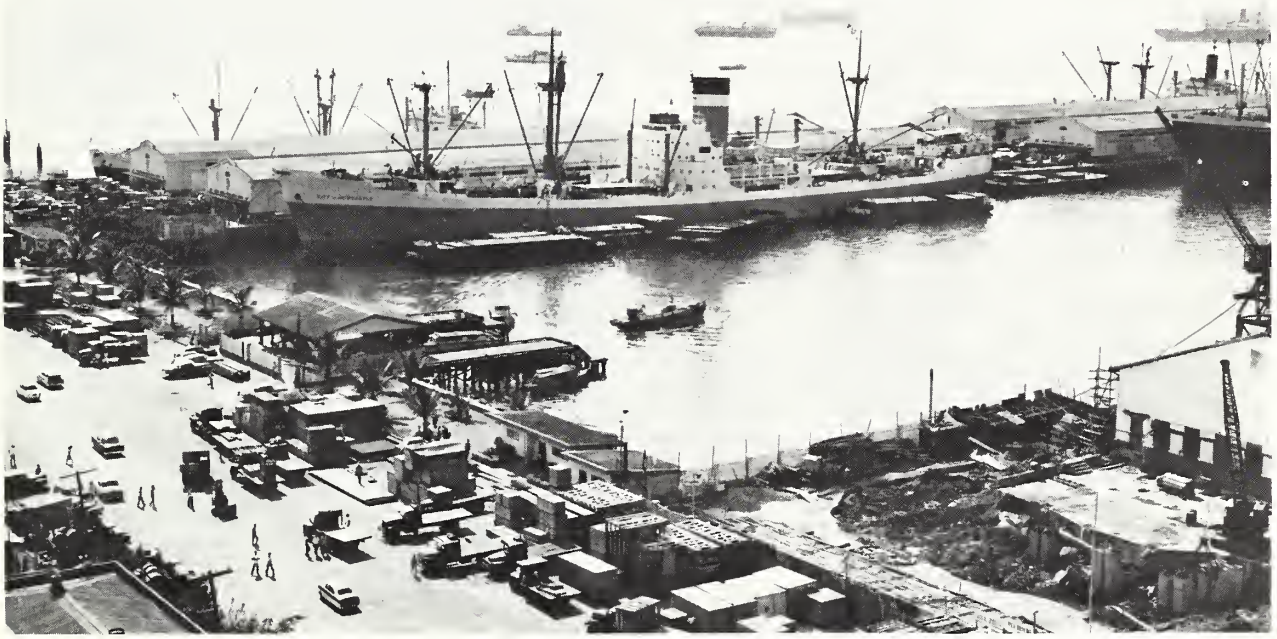
The value of imports from Canada has remained stable primarily because the downward trend in Philippine import demand for wheat flour during the rapid development of the domestic flour milling industry in the 5 years 1958-63. As wheat flour imports declined, demand for wheat increased, but purchases of Canadian wheat are not equal in value to previous purchases of wheat flour.

Most of the other important purchases from Canada are also primary products. They include woodpulp, newsprint, aluminum ingots, zinc and zinc alloys, malt, and meat and meat preparations. Recently, Canada has been supplying a greater percentage of the Philippine market for woodpulp (bleached sulfite and kraft pulp) than has the United States because of the shortage of pulp in the United States.

OTHER ASIAN COUNTRIES

Competition for the Philippine market from Asian countries in addition to Japan is expected to increase. Philippine trade with these countries has been expanding in recent years. A significant exchange of products is now conducted with Indonesia, Hong Kong, and the Republic of China.

Ties with Indonesia have been strengthened by the signing of two trade agreements between the two countries following the visit of a Philippine trade mission to Indonesia in May 1963. Under these agreements, Indonesia was to purchase $5 million (later increased to $20 million) in Philippine exports, including wheat flour, steel bars, and paper products. The 1963 year-end statistics indicate that trade between the two countries remains largely one way, consisting almost entirely of Philippine imports of Indonesian petroleum.



MANILA WATER FRONT: Ships the world over bring cargo to this busy port.

These are among the first significant efforts of the Philippines to cooperate with other member nations of Southeast Asia in an attempt to ameliorate pressing commercial, economic, and political problems common to all of them.

Imports from Hong Kong totaled $3 million in 1963, and imports from the Republic of China, $3.3 million in 1963. Total trade with the Republic of China jumped from $1.9 million in 1957, to $4.3 million in 1960, and to $14.1 million in 1963. The balance has usually been in favor of the Philippines.

PHILIPPINE FIRMS

As the Philippine economy industrializes, domestically produced goods will compete increasingly with or even displace foreign products. The Philippine Government's tariff protection policy does much to rule out effective foreign competition for many products.

The greatest competition with U.S. firms from Philippine firms has been in consumer products. Import demand for nondurable goods has been substantially reduced for a variety of these products, including wheat flour, canned milk, paper products, medical and pharmaceutical prepartions, and textiles. The greatest import substitution in consumer durables has been in electrical appliances—air conditioners, electric fans and floor polishers, and radio and TV sets. Import demand for capital goods (machinery and transport equipment) and unfinished materials (raw cotton, crude petroleum, basc metals, wheat, hides, and skins) has increased steadily.

Philippine industry is increasingly moving away from packaging and assembling industries requiring relatively small capital investment to more complex, capital intensive manufacturing. The 1962 devaluation of the peso provided an incentive for production of producers goods and intermediate materials (chemicals, fuels, building materials, engine and vehicle components, machine tools, metallurgical products, iron and steel, possibly copper and aluminum, processed foods, plywood and veneer, and cement) utilizing locally available raw materials.

As further industrialization takes place, demand for imports will change and evolve. Traditional import lines will continue to be replaced by domestic manufacture, while import demand for other commodities will substantially increase.

An excellent recent example of this trend is the first Philippine company producing electrolytic tinplate to be used in the many canning operations. This

GROUNDBREAKING: Workmen at site of hydroelectric power project man imported power shovel, crane, trucks.

plant, inaugurated late in 1963, will reduce Philippine tinplate imports which came primarily from the United States and Japan. Since the Philippines did not produce the machinery needed to outfit this plant, equipment was imported. The electrolytic line was imported from the United States as was the control equipment; overhead cranes, from West Germany; motors and generators, from a Spanish subsidiary of a U.S. plant. Construction materials for the most part were manufactured locally with the exception of the glass windows, imported from Belgium. Thin steel plate to be coated is imported from Japan. (Future plans call for the construction of rolling facilities to process a less finished form of imported steel, pending the development of an integrated steel mill in the Philippines.)

U.S. SUBSIDIARIES

Subsidiaries of major U.S. corporations in Japan, Australia, and Western Europe as well as in the Philippines offer growing competition to U.S. suppliers shipping directly from the United States. These subsidiaries often are able to offer products at considerably lower prices than the U.S.-based firms because of lower transportation costs and, in some instances, lower production costs.

United States subsidiaries in the Philippines often apply for and are granted tariff protection by the Philippine Government. As a result, some of these subsidiaries have a near market monopoly and a relative freedom from foreign competition.

DISTRIBUTION

Chapter 6

FOREIGN TRADE IS VITAL to the Philippines. Approximately 85% of Philippine foreign trade passes through the port of Manila and 90% of imports enter this port, to be distributed to the principal cities via trucks and interisland vessels. Cebu in southern Philippines serves as an entrepot port for the central islands and for northern Mindanao. Less active ports such as Iloilo, Bacolod, Davao, and Zamboanga handle a comparatively small volume of imports.

In recent years, difficulties in clearing shipments in the port of Manila, particularly during a 1963 dock strike, have diverted some import traffic from Manila. In 1963, the port of Cebu announced major expansion plans to accommodate more traffic, and several leading firms are constructing their own port facilities elsewhere in the Philippines. In addition, several Japanese shipping lines with Philippine connections have extended service beyond Manila to Cebu, Zamboanga, and Davao. The development of important industrial areas beyond the traffic range of Manila will result in further diversification of importing facilities.

Despite this redirection of some trade from Manila, the city continues to be the major hub of commercial activity where most of the large importing, exporting, and distributing houses are located. About 90% of all Philippine industries are located in Manila or its suburbs in three main areas of industrial development.

The first of these is located along the banks of the Pasig River, which flows through the city and the port area into Manila Bay. Cargo discharged from vessels in the Bay is often loaded on barges and lighters for transport via the Pasig to the nearby industrial area. Heavy industries are located in this area.

A second industrial district of medium sized plants is in the Antipolo, Marikina Valley, some miles outside the city. Supplies and raw materials needed are generally carried from the port area by truck. Transportation presently is no problem although many of the roads are in need of repair.

The third major industrial area is located in Makati, one of the most prosperous of the Manila suburbs. In addition to small manufacturing plants, a considerable number of distribution centers, trading firms, and banks are located here. Makati is also a shopping area of the higher income group.

AIRY HOTEL ON DAVAO BEACH: Mindanao Island's largest city draws vacationers to its seaside resorts.

The establishment of reliable trade contacts providing the broadest product distribution throughout the Philippines is perhaps the most important single decision to be made by prospective U.S. exporters.

Nationwide marketing, as contrasted with selling in Manila, presently is limited by the inadequate distribution system for most products. Outside of the Philippine Government's marketing arm, NAMARCO, which has a network of retail outlets throughout the Philippines, only a few products are widely presented or extensively retailed. Among these products are sewing machines, appliances, gasoline and other petroleum products, beer, and cigarettes.

The private companies with extensive retailing outlets generally set up franchise dealerships, a highly effective marketing technique. Certain of these firms also extend consumer credit to help finance the purchase of a sewing machine, for example. However, credit is seldom extended for large amounts. As a result, installment purchasing is not highly developed. Retailers generally depend on a high markup and low turnover and limit their extension of credit to an open account for established customers.

For many product lines limited demand outside of the Manila area often does not warrant the establishment of a nationwide distribution system. Many manufacturers and importers are content to concentrate their sales effort in a few local markets, particularly those readily serviced from Manila. Even in these concentrated markets, however, modern retailing and self-service methods are not yet developed fully. Similarly, door-to-door selling, mail order purchasing, and discount houses are virtually non-existent.

Many Philippine trading houses, smaller importer-distributors, or other retail houses seek exclusive distributorship rights. For example, a leading department store which has only two branches in Manila and no branches in other important Philippine cities may approach a well known U.S. bathing suit manufacturer seeking exclusive distributorship rights. If these rights are granted, only a small fraction of the potential market for bathing suits will be tapped. The foreign manufacturer in such an instance could increase sales by marketing through many independent outlets. For other products, however, an exclusive distributorship would be the most satisfactory selling arrangement.

Marketing and distribution systems vary widely for different kinds of goods. Automotive spare parts, radios, and certain appliances, for example, are marketed through a variety of channels and are distributed widely through private retailing outlets. Generally these retail outlets are not as specialized as those found in the United States and may handle a variety and small volume of other products.

A high percentage of import orders are handled by large trading companies with trained staffs. For the most part, these companies serve as indentors, placing orders with foreign suppliers only after customers' orders have been received. Trading houses also often serve as distributors.

In addition to the trading houses, which handle the bulk of Philippine imports from the United States, there are a large number of smaller importer-distributor firms which also act as indentors. These smaller firms represent the traditional trading economy which has been closely associated with the Chinese community. They are aggressive. They generally handle a more limited range of products and have more limited promotional activities and market coverage than the trading houses. Lower commission fees of these smaller firms enable them to compete with the larger trading houses. They have been particularly effective in offering representation which covers the small quality market—department stores and the established larger wholesale or retail outlets in the urban areas—and the traditional market of petty traders and small sari-sari stores (small retail outlets).

In certain product lines foreign suppliers do not have agency relationships. Instead they have sold directly to industrial end users. There is a growing trend among

MAKATI, MANILA SUBURB: Two new buildings go up in this complex of light industries on the city's edge.

larger Philippine manufacturing firms, large department stores and other retail outlets, and certain agricultural interests, including agricultural cooperatives, to import directly from foreign suppliers. Japanese and Australian suppliers, who benefit from proximity to the Philippines, as well as other suppliers increasingly use the direct selling approach. In turn, larger Philippine companies able to station a buyer abroad are moving away from placing orders with local agents.

Trading houses have expressed concern over the success of direct contact sales. They state that this type of sales competition has forced them to reduce commissions in order to remain in the market. However, direct sales to end users or retailers by foreign suppliers is feasible only for a limited range of products.

Fifty large trading houses in the Philippines handle customers' orders, accounting for a high percentage of total import demand. Most of these houses are located in the Manila area. The larger houses can accept orders from Philippine manufacturing firms or import for their own account and in turn wholesale and/or retail the imported merchandise, or even serve small wholesalers and distributors. For the most part, trading houses contract for imports to fill orders and seldom import for inventory and/or display or retail.

A large trading house may represent as many as 600 foreign supplying firms; maintenance of inventories for so many lines is difficult. This large-scale representation of firms and products also limits the degree to which the trading houses can promote aggressively the sale of any one product line. The trading house emphasizes customer relations rather than specific product selling in order to assure a steady flow of orders. Trading firms, however, are in a better position to promote sales through advertising than are smaller importer-distributor firms. Generally, they have more widespread distribution facilities in major Philippine cities. Moreover, the smaller firms work with less operating capital and find difficulty in advertising extensively.

Trading houses usually are organized into departments which handle specific commodity lines. The commodities handled by the departments vary widely to include textiles, foodstuffs, raw materials, chemicals and plastics, and machinery. Some trading firms are more specialized, handling a narrower range of products, such as equipment and machinery. Commodity specialists keep abreast of market developments and periodically canvass customers for import orders. Given the limited market for any one product (which results in part from the limited distribution facilities in the Philippines), trading houses as well as smaller importer-distributors generally seek exclusive distributorship rights.

Until their abolition in 1962, licensing and exchange controls determined to a large extent the operations of trading houses and of smaller importer-distributors. While there is evidence that some trading houses are beginning to change their operating procedures, their method of doing business today for the most part continues much the same as under licensing and exchange controls.

Under these controls, imports were regulated strictly for most items. Import licenses were required. Trading houses generally were unable to obtain these licenses, which were granted to industrial end users and retail outlets that required machinery and equipment or other imports. Upon receipt of an import license authorizing the allocation of foreign exchange for imports, manufacturing firms would contact a trading house and place an order for specified foreign goods. The trading house, in turn, acting as an indentor, would contact a foreign supplier and have the goods shipped directly to the manufacturing concern. Trading houses thus were relegated to a somewhat passive position.

Trading houses therefore served a dual role, acting both as representative for foreign suppliers in the Philippines and as exclusive buying agent for Philippine manufacturing concerns and retail outlets. This system of operations required that the successful trading house represent as wide a variety of foreign suppliers and foreign products as possible. The more foreign suppliers it represented, the greater the import service it could render to customers with import licenses.

The lifting of licensing and exchange controls created a new competitive situation for the trading houses. For the first time, they had to compete actively. Prices of merchandise offered became increasingly important as devaluation increased the peso cost of imports. Also, Government-issued import licenses no longer determined who could import and who could not. This new situation encouraged competition, not only from other established trading houses but also from smaller importer-distributors who previously had greater difficulty in obtaining import licenses. Trading houses now indicate that some product lines that were profitable under licensing and exchange controls have become marginal under decontrol. This new situation may encourage the trend towards greater specialization, particularly since greater technical knowledge of products handled and better servicing are increasingly required.

Despite this trend towards increased specialization, trading houses are willing to represent competitive and attractive new product lines, particularly if these lines supplement products already being offered. They also are known to seek new distributorship arrangements by direct contact with overseas manufacturers, sometimes with the assistance of intermediaries such as international banks. Their promptness in responding to foreign inquiries varies, partially depending on their interest in the product line or distributorship offered. Generally they are better equipped to handle correspondence than are the smaller importer-distributors. Trading houses prefer to deal directly with foreign suppliers rather than with foreign exporters in order to avoid payment of foreign exporters' commission fees.

There are at least three disadvantages in dealing through a large trading house. There is the passive attitude of the house towards aggressive selling of any specific product line (the habit of sitting and waiting for customers orders including the necessary import licenses, is deeply ingrained). There is reluctance to stock and/or display merchandise except in items which have already won a steady demand on the market. And there is the commission charged on product handling, which decreases a product's competitiveness—particularly if competing lines are being sold directly to the end user without going through a middleman.

Among the advantages of dealing with a trading house, on the other hand, are the assurance to the foreign supplier of a steady market for popular and well-established products without the use of expensive marketing techniques; the ability of trading houses to promote sales through widespread advertising; and the reduction of payment risks inherent in dealing with established customers.

Recognizing the importance of special sales promotion efforts for some product lines, trading houses frequently accommodate to a selling service which is supported exclusively by the supplier. They engage a salesman, whose expenses are borne by the supplier, for the sole purpose of selling particular product lines. In this arrangement, they continue to assume responsibility for channeling orders and/or accepting delivery of goods and are encouraged in this policy by prospects of increased earnings in commissions. Canvassing of interested firms by a salesman adds the personal touch that is so important a factor in doing business in the Philippines.

The U.S. suppliers represented by trading houses that cannot be persuaded to adopt an aggressive selling campaign for their product lines may wish to consider this special selling technique.

A growing number of larger manufacturers, mining concerns, and agricultural cooperatives and wholesaling and retailing outlets buy raw materials, fertilizer and other agricultural chemicals, and machinery and equipment directly from foreign suppliers. For the most part, they write to these foreign suppliers directly, relying heavily on catalogs and literature for product selection. Increasingly, however, buyers are sent abroad, and foreign firms in turn send sales representatives to the Philippines. These direct product sales are in direct competition with the trading houses and have

the advantage of eliminating middleman commissions. In a typical transaction, a representative of a large U.S. exporter of raw cotton would approach a Philippine textile mill offering price quotations. The textile mill would then ask a trading house that represented competing raw cotton suppliers for price quotations. If the quotations and payment terms offered by the sales representative of the foreign firm were more attractive than those quoted by the trading house, the textile mill might place a purchase order directly with the sales representative, and the raw cotton would be shipped directly to the mill. If the trading firm offered a more attractive package, an indent order would be placed and again the textile mill would import the raw cotton directly.

Other direct importers include large private or quasi-private concerns (public utilities, agricultural and marketing cooperatives), which generally make large but infrequent purchases of plant and equipment, raw materials, and agricultural chemicals, and generally prefer to buy directly from foreign manufacturers. They are constantly on the lookout for better and improved facilities and renewals, additions, and replacements. These firms and organizations should be apprised of innovations or more modern equipment through circulars and other promotional literature. The agricultural and marketing cooperatives, which must secure official recognition from the Philippine Government, are in a particularly favorable position since taxes and duties on goods they import are often waived. For example, Sugar Planters Cooperative has been a large duty-free importer of tractors and fertilizer.

Some of the larger family-held agro-industrial groupings in the Philippines have introduced an interesting modification of the direct sales approach. These family enterprises include a trading house as well as industrial plants and agricultural holdings. The family trading house, of course, handles importations for all the manufacturing, mining, or agricultural interests of the family.

Finally, the Philippine Government is also a large direct importer of consumer goods, construction materials, and machinery and equipment. Sizable purchase orders for a wide variety of foodstuffs, including canned goods, roadbuilding and maintenance equipment, cement, machinery and equipment for hydroelectric plants and other Government construction projects are placed with foreign suppliers each year, usually through competitive bidding.

Many large U.S. suppliers and other large foreign suppliers and manufacturing subsidiaries of foreign firms in the Philippines, have chosen to market their products through their own selling branches. These offices normally operate as wholesalers, selling to retailers, manufacturers, or large industrial consumers. Few attempt to retail their products directly. Product sales handled through selling branches of foreign firms in the Philippines include drugs and pharmaceuticals, oil refinery products, tires and tubes, fertilizer and limited industrial chemicals, office machinery, projectors, and sewing machines. In 1963-64, these marketing operations have been threatened by the restrictive provisions of the Retail Trade Nationalization Law, which limits all retail activities to wholly Filipino and/or U.S.-owned firms. The retailing operations of these firms may be affected.

GOVERNMENT PROCUREMENT AND STATE TRADING

The Philippine Government is an important purchaser-distributor of many essential consumer products, both improved and domestically produced, particularly those in short supply and/or those facing inflationary price spirals which would limit purchases by the mass of low-income consumers. These products are distributed through more than 1,000 distribution outlets to approximately 30,000 retail outlets at subsidized prices, in competition with imports distributed through normal private channels.

Most, but not all state trading is carried out by NAMARCO. In addition, the Rice and Corn Administration has been given the responsibility for the importation and distribution of rice and corn, in which the Philippines is not self-sufficient. The Philippine Department of Public Health has periodically imported life-saving drugs. For the most part, the Government purchases directly from foreign suppliers without going through intermediaries.

Products that have been imported and distributed by NAMARCO include construction materials and cement; evaporated, condensed, and powdered milk; corned beef; sardines; squid; malted milk; rolled oats; raisins; fresh butter; cheese; asparagus; fruit cocktail; peaches; olives; mushroom and other soups; khaki and other textiles. During the latter half of 1962, NAMARCO reportedly imported almost all of the country's requirements of milk, sardines, and corned beef.

The U.S. exporters have supplied a substantial amount of the consumer items which the state trading agency has imported and sold at subsidized prices in the past years. Without the subsidized importation and

TIED AND TAGGED FOR SHIPPING: Rope made of abaca fiber (Manila hemp) is one of the Islands' important exports.

sale of these essential consumer products, total imports of these items undoubtedly would have declined. Foreign competition for these large Philippine Government orders is increasing.

Philippine Government purchases are generally handled in Manila; some invitations to bid are reported in the Department of Commerce publication *International Commerce.*.

The principal procurement office is the Bureau of Supply Coordination of the Department of General Services. All other agencies pattern their regulations and procedures after this bureau. Other important procurement agencies are the Bureau of Public Works and Communications and the Office of Economic Coordination.

Philippine Government procurement regulations permit a foreign company to bid on Government procurement only if it maintains a registered branch office or a registered resident agent in the Philippines.

The first step in obtaining Government business is to be placed on the Bidder's Mailing List of the agency with which the applicant wishes to do business. This is done by sworn application accompanied by certified copies of the company's Application for and Certificate of Registration issued by the Philippine Bureau of Commerce, articles of incorporation, receipted franchise tax bill, an up-to-date financial statement, and other attachments. Application forms of the various procurement agencies are substantially the same in most respects.

An executive order of June 1, 1963, directs that no contract for public service or for furnishing of supplies, materials, and equipment to the Government or any of its branches, agencies, or instrumentalities shall be renewed or entered into without public bidding except for very extraordinary reasons to be determined by a committee composed of the Executive Secretary as Chairman, and the Auditor General and the Secretary of Justice.

Bidding preferences are accorded to Philippine firms. Section I of Commonwealth Act No. 541 states that "all branches, offices and subdivisions of the Government and all Government-owned controlled companies, authorized to contract and make disbursements for the construction or repair of public works, shall give preference in awarding contract for such works to Filipino or American contractors and domestic entities when the lowest bid of a domestic bidder is not more than 15 percent in excess of the lowest foreign bid."

Goods procured under any World Bank project must be open to international competitive bidding. The World Bank has been active in financing the develop-

ment of hydroelectric resources and port and harbor facilities in the Philippines. Procurement under an Eximbank loan is tied to competitive bidding in the United States. Equipment purchases have also been financed by these loans.

A foreign aid mission primarily concerned with cargoes shipped under both Eximbank and AID loans for the Philippine Department of Public Works and Communications maintains offices in the Philippine Embassy in Washington, D.C. The Government-owned Philippine National Bank has a New York office at 25 Broadway, New York, N. Y. 10004. (Information of greater detail on Philippine Government bidding procedures and regulations is given in the Department of Commerce publication. *Establishing a Business in the Philippines*, Overseas Business Report 64-11, March 1964. 16 pp. This report may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402. Price 15 cents.)

LETTERS OF CREDIT AND OTHER FINANCIAL INSTRUMENTS

The irrevocable letter of credit remains the most common method of import payment used in the Philippines.[1] Generally if a firm wishes to import, it opens an irrevocable letter of credit with its local bank at the time the purchase order is confirmed. The U.S. correspondent of the Philippine bank then pays the U.S. exporter for the goods shipped, and the U.S. supplier receives immediate payment when shipping documents are sighted by his bank, even before his goods have been received by the Philippine purchaser. Upon the arrival of the goods in the Philippines, the local bank holds the goods until payment is received. (This procedure does not apply to credit transactions where delivery of goods to the importer takes place under acceptance of documents, or under other instructions.) Only accredited Philippine banks can provide the stamped authority to obtain the release of import shipments from Philippine customs. Without bank certification that customs duties, sales taxes, advance deposits and special import duties have been paid, customs will not release goods to a consignee.

In recent years there has been a movement away from the standard letter of credit transaction. Philippine importers increasingly dislike paying interest on money tied up by a letter of credit transaction. For example, a letter of credit is generally opened at the same time the purchase order is made. Goods imported from the United States reach the Philippines approximately 2 months after the purchase order. During this period the importer has either deposited funds with his bank to cover the letter of credit thus losing interest on this money, or credit for which interest payments are required has been extended to him by his bank to cover the time lag between the payment of the U.S. exporter and payment for the goods when they are delivered 2 months later.

Moreover, since many import letters of credit must be covered by an additional advance deposit which must be kept for at least 120 days, additional capital is automatically tied up.

It is worth noting that letter of credit importations work to the advantage of Japanese and Australian suppliers since the time lag between payment of the supplier and payment by the Philippine importer is shorter. Interest charges are correspondingly lower.

Philippine importers are increasingly requesting credit from exporters under documents against acceptance (D/A) procedure involving the use of time drafts for 60, 90, or 120 days. These medium credits help overcome credit limitations on the part of lending institutions in the Philippines, including the higher rate of interest charged relative to that charged in the exporting country.

Open account transactions are also just beginning to be made. Philippine Central Bank regulations require that in open account transactions, settlement be made not later than 120 days after shipment.

CONSIGNMENT SHIPMENTS

Anyone planning to ship goods to the Philippines under any sort of consignment arrangement—unless the market for these goods is assured—should consider the circumstances fully. Goods entering the Philippines must pay the various duties, taxes, and fees connected with importation. If consigned goods are not sold, the procedures for reexport of such merchandise and recovery of duties and taxes paid are cumbersome and time consuming.

[1] Philippine Central Bank circular No. 121, as amended, reads, "Only authorized agent banks may sell foreign exchange for imports. Such exchange should be sold . . . subject to the following conditions:

"A. All imports must be covered by letters of credit except small transactions involving not more than US$100; provided, however, that imports of producers not subject to special time deposits (advance deposits) may be financed by means of documents against payments or documents against acceptances not exceeding 120 days; importations by importers under the same arrangement shall be allowed for a period not exceeding 90 days. Furthermore, imports of raw materials required by local industries may be financed under an open account arrangement payable by demand drafts, telegraphic transfer, or mail transfer within 120 days after the issuance of the release certificate by the authorized bank agent concerned. Imports by local industry of raw materials to be used in this operation are exempted from special time deposits."

QUOTATIONS

For imports into the Philippines, c.i.f. and c. and f. quotations are commonly used. Some firms who import directly from a foreign supplier through a Philippine port other than Manila request f.o.b. quotations and compute the c.i.f. quotations themselves for the particular port of entry. (Duty rates and sales and compensating taxes assessed by Philippine customs are computed on the c.i.f. value of the import.) Quotations by exporters in the United States are generally stated in U.S. dollars.

Some Philippine firms complain of the difficulty of obtaining firm advance quotations from U.S. suppliers. Generally this has not worked to U.S. competitive disadvantage since European competitors in certain equipment areas are as reluctant to give firm advance quotations as are some U.S. suppliers.

IMPORTING INTO THE PHILIPPINES VIA HONG KONG

Exporters some distance from Southeast Asia are increasingly using the free port of Hong Kong for stocking certain types of goods, to be distributed later to markets in the area, often at a lower c.i.f. price than if they had been shipped direct. With its experienced traders, numerous storage facilities, and abundance of shipping links, the port is admirably suited for this purpose. Its use as a point from which to distribute goods to the Philippines is increasing. Reexports from Hong Kong to the Philippines totaled $3.5 million in 1959 and rose to $5.2 million in 1962, a 46% increase.

Procedures for stockpiling and reexporting in Hong Kong are efficient and inexpensive; the foreign supplier is exempt from local income taxes since technically he is not considered to be engaged in business in Hong Kong.

A typical procedure is for the foreign supplier to consign a bulk shipment to a warehouse and forwarding agent in Hong Kong, who assumes the responsibility for storing the goods and providing reexport services. Title to the goods is retained by the foreign supplier.

When an order is received by the agent and approved by the supplier, the agent packages the ordered goods and arranges for shipment to the buyer, preparing all documents needed to make the shipment and providing all shipping services, including booking space on a carrier, obtaining insurance, and presenting documents for financial settlement. The forwarding agent's services are compensated at 0.5 to 1% of invoice value; Hong Kong storage rates are 15 cents per 2,240 pounds per month for bagged cargo and 18 cents per 40 cubic feet per month for crated and boxed cargo. Typical financing is via letter of credit.

More detailed information on procedures and rates may be obtained by writing directly to a warehouse-and-forwarding agent or a Hong Kong bank. Types of products to be supplied and volume of business anticipated should be indicated. A list of warehouse-forwarding agents in the Philippines may be obtained from the Commercial Intelligence Division, Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C., 20230, for $1.

MARKETING AIDS

Little market research is being carried out in the Philippines despite the growing interest in the science of marketing among younger Filipino businessmen. The Philippine Marketing Association publishes a marketing journal. Large oil companies, banks, and investment houses conduct some surveys.

Further development of market research facilities is inhibited by the paucity of accurate statistical data regarding production, consumption, purchasing power, and most other indicators of actual or potential demand, as well as by shortages of trained economists, statisticians, and accountants. Decisions to undertake manufacturing operations often are made after study of import statistics to determine what products can be manufactured locally to replace imports. The growth of Philippine manufacturing in the past decade has occurred mainly in import substitution industries.

The lack of adequate market research perhaps explains the cautious approach of many Philippine manufacturing concerns in tapping the full market potential. These firms apparently feel more secure in diversifying their output rather than in concentrating on any one product line. For example, a small manufacturing firm may produce 20 floor polishers, 10 squirrel cage motors, and 30 fans monthly to enjoy a small share of the market for each rather than concentrate on one product line to fully exploit an existing market. Lack of knowledge of the market potential may account for this often premature diversification.

Advertising is widely used in the Philippines. TV stations in Manila, Cebu, and Bacolod carry advertising; radio networks covering most of the Islands carry spot and program commercials; and newspaper and magazine advertising is well established. Neon signs illuminate the Manila nights.

American Heritage publications report that in 1963 there were 37 recognized advertising agencies, 15 of which were members of the Association of Philippine Advertising Agencies—APAA. Of approximately 1,000 identified clients, 650 were with APAA agencies whose combined staffs totaled 800. Combined billings of these agencies were in the range of $10.3 million to $11.5 million. Agency commissions generally ran about 15%. In 1962, total advertising outlays were estimated at $19.2 million.

Advertising in the Philippines generally follows U.S. patterns. Products promoted by Philippine advertising vary considerably from those promoted in the United States, reflecting the more limited purchasing power of the average Filipino consumer and the different level of development of the Philippine economy.

Television advertising accounts for 8.5% of the total advertising dollar. In the Manila area seven TV stations reach 150,000 sets. Cebu, the second largest city in the Philippines, has three stations; and Bacolod, the hub of the sugar industry, has one station. Philippine television programing is not as highly developed as in the United States. Television advertising therefore is considerably less expensive.

Television advertising reaches the wealthier class and is beginning to reach the growing middle class. It does not reach the majority of the rural consumers or the mass of the urban population. Products advertised for the select audience include soap and food, automobile, and trucks, motorbikes, gasoline, trading firms, stationery, hotel accommodations, and air travel.

Radio advertising is estimated to account for 37% of the advertising dollar. Radio reaches a wide segment of the Philippine population, particularly since the advent of transistors. Approximately 155 commercial radio stations are found in the Philippines and the number of stations is growing rapidly. The many lower income Filipino families who do not own a radio have convenient access to a set even in the smallest barrio (rural village).

Newspapers are read widely, as the average Filipino has an avid interest in the local and national scene. Newspaper advertising therefore is effective. Newspapers and magazines account for over 42% of the advertising dollar. Twelve newspapers with a combined circulation of 430,000 are standard advertising media in the Philippines.

Big newspaper advertisers are the airlines, hotels, and manufacturers and/or distributors of the following products: Automobiles and trucks; machine tools, particularly lathes, shapers, and milling machines; typewriters and other office machines; watches; appliances, particularly air conditioners; radio and TV sets; tractors; cane harvestors; fertilizers; seeds, livestock sprays, and chemicals; weedkillers; feed for chickens and pigs; whisky; canned milk; biscuits; pineapples; and clothing. Almost all Philippine newspapers have a classified ad section. Most leading Philippine newspapers, which include the Manila Times, the Manila Chronicle, and the Daily Bulletin, are published in English.

CREDIT TIPS

1. Knaw yaur consignee. The credit rating af many firms can be abtained fram branches af U.S. banks in the Philippines (First National City Bank in New Yark, Bank of America, and others), fram correspandents af U.S. banks, by use af World Trade Directary Reparts available fram the U.S. Department af Cammerce, and passibly by contacting the American Chamber af Cammerce of the Philippines. Insisting on irrevocable letters of credit fram firms with high credit ratings before making shipments can lase a sale.

2. Chaase yaur credit instrument carefully and periadically review the type af credit being extended. The credit facilities of the Philippines and the credit terms extended by ather fareign suppliers are rapidly changing. Matching credit terms affered by ather suppliers after the fact will increasingly hurt sales as tariff preferences are phased aut.

Since the Philippines has a predominantly agricultural economy much of the newspaper advertising space is devoted to the promotion of agricultural products.

Japanese and Australian suppliers are increasingly heavy users of newspaper advertising, periodically running supplements promoting their products.

Magazine advertising is widely used. The eight weekly Philippine magazines have a combined circulation estimated at more than 700,000, which is 63% above the combined newspaper circulation. When the weekend supplements to leading newspapers are included, magazine circulation is upped to approximately 1.2 million weekly. An article in the Journal of the American Chamber of Commerce of the Philippines pointed out that "the progress of magazines in the Provincial areas has been greater than in Manila and environs." Magazines carry more entertainment features than the newspapers and a variety of articles in both English and the vernacular. Magazines allow advertisers to reach specific markets directly and effectively. For example, one will find a predominance of industrial machinery advertising in the Philippine Free Press; whereas fashions, cosmetics, and foods are advertised in the *Weekly Women's Magazine.*

Comic books have a weekly circulation of roughly 400,000. Perhaps advertising in comic books is popular because the general level of education indicates this approach in communicating with a large segment of the

population. The cheaper consumer products are advertised in this group. At present, no Philippine magazines handle a wide variety of advertising, as in the United States.

Philippine expenditures for printed advertising (magazines and newspapers) in 1962 totaled $7.5 million and in 1963, $8.9 million. Expenditures by top advertisers in 1963 were:

La Suerte Cigar and Cigarette	$949,100
San Miguel Brewery	156,100
Soriento Santos (clothing and shoes)	120,700
Del Rosario Brothers	115,500
Filipro Inc. (food products)	108,900

Expenditures in 1963 by the most advertised brands were:

Soriento Santos	$99,708
Nescafe	67,900
Liberty Filled Milk	51,800
Darigold Filled Milk	51,000
Philip Morris	46,800

Billboard and poster advertising is common in the Philippines. Billboards are prominently displayed on city buildings, but appear infrequently along country highways. Although common in Manila, neon signs are not widely used in Provincial cities.

About 320 movie theaters reach over 12.5 million potential consumers monthly with movie commercials. The main feature is often preceded by animated or single-slide commercials. In the 5-10 minutes during which these commercials are shown, the viewer inspects 10-15 products sold by specific retail and service outlets. This form of advertising sporadically reaches almost everyone and is effective for products which have mass appeal—cigarettes, beverages, cosmetics, beauty parlors, cooking oils, and household products.

Direct mail advertising is limited. It is beginning to be used to reach big service firms and specialty markets, but does not yet extend to the individual consumer. However, calendar advertising is widely used. A number of firms distribute calendars during the Christmas holiday season.

Philippine phone directories are divided into white pages of private numbers and yellow pages. The latter are used extensively for product and service advertising.

TRADE ORGANIZATIONS AND TRADE PROMOTIONAL SERVICES

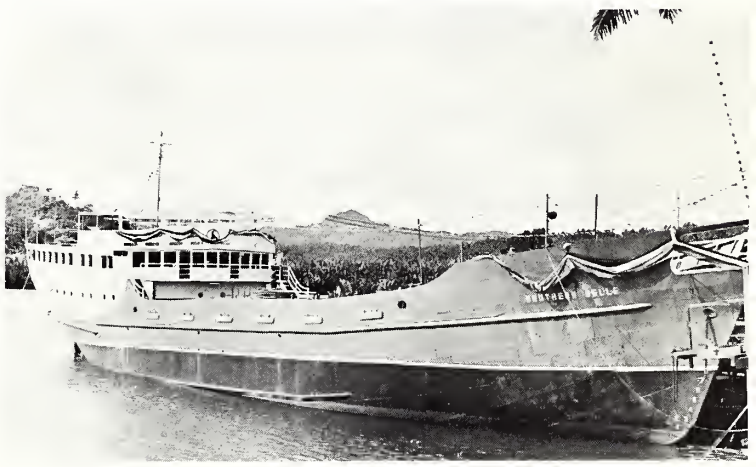
The Philippines has several venerable and thriving trade organizations and firms which provide valuable informational and promotional services to foreign suppliers. Among the most important are the American Chamber of Commerce of the Philippines, the Chamber of Commerce of the Philippines, local chambers of commerce, the Philippine Chamber of Industries, the branch offices of international banks, and reputable domestic banks. The First National City Bank of New York publishes a useful newsletter on the Philippines and conducts trade and investment surveys. In addition, almost every major trade in the Philippines has its own association which often publishes information of value to the trader.

GOVERNMENT PUBLICATIONS

Central Bank News Digest.—Weekly. This publication of the Central Bank of the Philippines contains verbatim copies of all Central Bank circulars, memoranda, rulings, and press releases. It is an authoritative source of information on changes in Philippine foreign exchange regulations. Each issue contains an article analyzing some aspect of the Philippine economy, as well as economic statistics on such areas as foreign trade, production, employment, and the national income. The publication is available to foreign subscribers for $6 a year from the Publication and Information Section, Department of Economic Research, Central Bank of the Philippines, Manila.

Official Gazette.—Weekly. This Government publication contains all official statements of the Philippine Government, Presidential orders and proclamations, acts passed by the Congress, decisions of the Courts of Appeals and the Supreme Court, and departmental orders and regulations. It also carries a summary of the activities of the President. It is available in the United States and its possessions for $36 a year, and in all other foreign countries for $38.25 a year, from

AT ANCHOR: Coastal ships carry goods to more than 350 ports. Ferries link major Philippine islands.



STREET SCENE, ILOILO, PANAY ISLAND: Banner and billboard urge thirsty shoppers to buy.

the Director of Printing, Bureau of Printing, Boston Street, Port Area, Manila.

Annual Report of the Central Bank of the Philippines.—This comprehensive publication corresponds in part to the *U.S. Council of Economic Advisors Annual Economic Report to the President.* It contains a complete survey of the Philippine economy, giving particular emphasis to fiscal and monetary policy.

Annual Survey of Manufactures.—This publication of the Bureau of Census and Statistics, Department of Commerce and Industry, was started to provide adequate statistics on manufacturing activities in the Philippines. It is available for consultation in the Far Eastern Division of the U.S. Department of Commerce, Washington, D.C. (The Bureau of Census and Statistics also annually publishes production figures of selected manufacturing establishments.)

Foreign Trade Statistics of the Philippines.—Publication of the Bureau of Census and Statistics of the Department of Commerce and Industry. The publication contains detailed import and export statistics on a commodity by country basis. This 700-page book is available for consultation at the Far Eastern Division, the U.S. Department of Commerce, Washington, D.C.

NON-GOVERNMENTAL PUBLICATIONS

Journal of the American Chamber of Commerce of the Philippines.—Monthly. This publication is directed toward the large U.S. business community in the Philippines. It contains articles on the business and general economic climate; reviews legislation before the Philippine Congress; and publishes recent Administration rulings of interest to the business community, and short monthly surveys of banking and finance, electric power production, construction, real estate, ocean shipping, and trade and commodity trends. It is for sale at $12 a year from the American Chamber of Commerce of the Philippines, 6th Floor, Suite 615, Shurdut

Building, Intramuros, Manila, P.O. Box 1836, The Philippines. Advertising rates are available on request.

Commerce Magazine.—Monthly publication of the Chamber of Commerce of the Philippines intended for Filipino businessman. Contains information similar to that published by the *Journal of the American Chamber of Commerce of the Philippines.* Features trade and investment articles, legislative proposals, commodity articles, items on Philippine relations with third countries, Presidential messages, listings of firms, business news, and reports on Philippine Government agencies. It is available for $12 a year from the Chamber of Commerce of the Philippines, Mangallanes Drive, Manila, the Philippines.

Business and Industry. Monthly. Features articles on insurance and finance, but also covers briefly other topics of general economic interest, such as trade and investment relations with third countries. Each issue contains an article about a leading Philippine businessman and a Philippine firm of the month, and publishes a survey of leading executives. Available to overseas subscribers for $10 from the Insurance and Finance Publishing Co., 927 de los Santos Avenue, Diliman, Quezon City, the Philippines.

Industrial Philippines.—Monthly. Contains articles on new Philippine industrial developments, important industry sectors, economic and business outlook, and Government policies. Directed towards the Filipino businessman. Published by the Philippine Chamber of Industries, Suite A-16, Civic House, Manila Hotel, Manila, the Philippines.

Base Metals Monthly Report.—A monthly report on the Philippine minerals and metals industry. This periodical is a good advertising medium for mining equipment dealers. The publishers of this report also issue a *Base Metals Annual.* Both are available from the Base Metals Association of the Philippines, Inc., Manila Hotel, Luneta, Manila, the Philippines.

The Fookien Times Yearbook.—This yearbook contains a narrative survey of the leading sectors of the Philippine economy written by top authorities, including the commercial attaches of the various major Philippine trading partners. The economic topics covered include commerce and industry, foreign trade, banking, insurance and stocks, real estate and construction, agriculture, natural resources, law and public administration, public works, and labor and social welfare. The *Yearbook* allots ample space for advertising, and is widely circulated throughout the Philippines. It is published by the Fookien Times Co., Inc., 1117 Soler Street, P. O. Box 747, Manila, the Philippines.

Philippine Mining Yearbook.—This publication is the chronicler of the important mining industry. Equipment suppliers of Philippine mines use its pages for advertising. It is published by the Philippine Yearbook publications and printed by Journal Press, 161 - 15th Avenue, Cubao, Quezon City, the Philippines, for approximately $30 a copy.

American-Philippine Yearbook, 1962-1963.—This yearbook is a valuable publication available to U.S. businessmen interested in the Philippines. It contains sections on the Philippine Government, on U.S. Government activities in the Philippines, membership lists of the American Chamber of Commerce of the Philippines, executive lists, agency directories of Philippine firms and of U.S. firms with a Philippine connection, a goods and services directory, a professional services guide, a guide to dining and entertainment, business statistics, and the text of the Revised United States–Philippine Trade Agreement. It is published by the American Chamber of Commerce of the Philippines, Inc., Elks Club Building, Dewey Blvd., P.O. Box 1836, Manila, the Philippines.

TARIFFS AND.....

Chapter 7

IN JANUARY 1962, the Philippine Government lifted almost all licensing and exchange controls. Since that time, Government policy has kept import transactions as free from restrictions as possible without jeopardizing the balance of payments and the growth and development of local industry. With the exception of a few items, all commodities may be imported without an import license. Exchange dealings continue to be limited to authorized agents but these agents can sell to any importer without prior authorization from the Central Bank of the Philippines.

With licensing controls removed, the Government regulates imports by the use of protective tariffs and sales and compensating taxes. The Central Bank also requires advance deposits of up to 100% of the value of the letter of credit for many articles. These advance deposit requirements have been reduced twice since their inception in 1962 and reportedly will be removed completely when no longer necessary to protect the balance of payments and domestic industry.

Philippine policy, legislation and regulations discourage and largely prevent trade with Communist China and the Soviet Bloc. Trade with South Africa has also been banned periodically in protest against the South African apartheid policy.

The Philippine tariff code is based on the Brussels nomenclature. Rates range from nil to 250% depending primarily on the essentiality of the import. Duties on machinery, raw materials, and essential supplies average about 10%, while those on luxuries and products that compete with locally produced commodities average about 100%. Customs duties are applied equally on similar goods from all countries with the exception of those from the United States. The reciprocal tariff preferences the United States and the Philippines accord each other are:

	U. S. rate on Philippine articles (percent)	*Philippine rate on U. S. articles (percent)*
1956-58	5	25
1959-61	10	50
1962-64	20	75
1965-67	40	90
1968-70	60	90
1971-73	80	90
1974 (Jan. 1-July 3)	100	100

Note: On July 4, 1974, the United States rate on Philippine articles will change from 100% of the Cuban rate to 100% of full (non-Cuban) U.S. duties.

In addition to the tariff preferences accorded Philippine products in the United States market, key Philippine exports (coconut oil, scrap and filler tobacco, cigars and buttons of pearl or shell) are accorded sizable duty-free import quotas. A gradual phasing out of these quotas is scheduled over the life of the Revised United States–Philippine Trade Agreement. U.S. imports of sugar and cordage from the Philippines are regulated by absolute quotas which expire on January 1, 1974.

SALES AND OTHER INTERNAL TAXES

In addition to import duties, most imported products are subject to either a specific tax, a percentage sales tax, or a compensating tax. A special import tax is also levied on nearly all imports from all sources.

Specific taxes represent a set amount assessed per unit of weight or quantity. Payment is due before release from customs custody if the article is imported and before removal from the place of production if locally manufactured. The tax is levied on alcoholic beverages, tobacco products, matches, firecrackers, mineral fuels, cinematographic films, playing cards, and saccharine.

The percentage sales taxes are levied on all goods imported for resale. On imports the tax rates range

from 7% to 100% and are based on the landed cost of the article inflated by 100% for luxury items, by 50% for semiluxury items, and by 25% for all other goods. Landed cost includes the invoice value of the goods plus all costs applicable to the merchandise before delivery to the importer, including freight or postage, insurance, commissions, customs duties, brokerage fees, stevedoring charges, and the special import tax. The tax must be paid by the importer before the imported goods will be released by customs or the post office.

The percentage sales tax does not apply to (1) articles subject to the specific tax, (2) articles for export or forming a part thereof, (3) articles imported by end users which are subject to the compensating tax, (4) rope, sugar, rice, coconut oil, corn, and desiccated coconut, (5) articles imported under the Basic Industries Law (Republic Act No. 3127).

Domestic producers are also assessed a sales tax, and though the tax rate ranges from 7 to 100%—the same as the rate on imports—it is levied on the uninflated factory price and not on the inflated tax base of imports.[1]

When products normally subject to the percentage sales tax are imported by the end user and not by an importer for subsequent sale to others, a compensating tax is levied in lieu of the sales tax. Gifts received from abroad are also subject to this tax.

The applicable rates are the same as for the sales tax for similar articles, but with a different tax base. The compensating tax is levied on the uninflated landed cost. Where applicable, the tax is payable by the importer prior to removal of the goods from customs or the post office.

The compensating tax is inapplicable if the articles are subject to the specific tax or produced for export.

The compensating tax is waived for industries registered under the Basic Industries Law. This law exempts approved companies in basic industries from the payment of special import taxes, compensating taxes, and tariffs on the importation of machinery, spare parts, and equipment for use in their production operations.

The special import tax on nearly all imports from all sources is levied at 1.7% of the c.i.f. value of the import. This tax is to be totally eliminated in 1966 as provided for in the Revised United States–Philippine Trade Agreement.

ADVANCE DEPOSITS

Letter of credit for imports must be accompanied by an advance deposit. The amount of the advance deposit varies from zero to 25, 75, or 100% depending on the essentiality of the product covered by the letter of credit. The deposit is payable in cash, Government notes, bonds, or securities and is kept for a minimum of 120 days. All imported raw materials required by local industry are exempt from the deposit requirement. The deposit requirement presently affects approximately 25% of total imports by value.

DUMPING AND COUNTERVAILING DUTIES

When a foreign article is likely to be sold in the Philippines at less than its fair value and when such a sale is likely to injure or prevent local industry from being established, an antidumping duty equal to the difference between the purchase price and the fair value may be levied. The fair value of an article shall be its foreign market value, or, in the absence of such value, the cost of production.

When the importation of an article is likely to injure materially an established industry or retard the establishment of a new industry as a result of a subsidy granted by the country of origin or exportation, a countervailing duty equal to the amount of the subsidy may be levied in addition to the regular duty. Wheat flour imports into the Philippines are presently subject to a countervailing duty.

[1] See U.S. Department of Commerce, *Foreign Trade Regulations of the Philippines*, Washington, D.C., November 1963 (Overseas Business Report 63-138) for rates of sales taxes levied on specific products. Price 15¢.

TRADE REGULATIONS

DOCUMENTATION AND FEES

The documentary requirements for commercial shipments to the Philippines are determined by the f.o.b. value of the shipment. Commercial shipments valued at more than 100 pesos (P3.9 = US$1) must be covered by a sworn certificate of origin, bill of lading, and commercial invoice. Shipments over 500 pesos also require a packing list (except bulk shipments) and a combined consular invoice and certificate of origin.

The combined consular invoice and certificate of origin (Form FA No. 48-49) is used for all shipments valued over 100 pesos, but for those shipments valued between 100 and 500 pesos, only the certificate of origin portion need be completed. A special sworn statement certifying the country of origin is required on the combined form if it covers yarn or textile shipments.

Special statements and additional documentation are required for shipments of meat products; insecticides, paris green, lead arsenates, fungicides; cosmetics, foods; viruses, serums, and toxins; gunnies, Hessian cloth, and merchandise wrapped with gunnies, burlaps, straw or excelsior; used clothing; tobacco; rugs; household goods; hides, hair; essence oils and flavors; wheat flour, and aluminum products. The consolidated consular invoice and certificate of origin forms, used for shipments, are sold for 20 cents per set of 5 copies and $3.50 per pad of 25 sets. Quantity purchases should be made from the Philippine Consulate General, 15 East 66th Street, New York, New York 10021. These forms may be obtained from Philippine Consulates in U.S. cities.

PACKAGING, LABELING, AND MARKING

Packaging, labeling, and marking are an important element in sales technique in the Philippines. Certain color schemes, trade names, and marketing techniques that would find success in the United States may not be successful in the Philippines. Marketing in the Muslim areas of Mindanao would require a packaging and labeling orientation different from that in the rest of the predominantly Christian Philippines.

In the canned food line, cans of a certain color will find greater market acceptability than cans of other colors. Large size cans should have a red label, smaller cans are acceptable with a green label. In the marking of clothing, labels with flowers are likely to find more widespread acceptance. Canned milk, flour, and perhaps other products are retailed under the brand name "Liberty," and flour and steel under the brand name "Republic." Other common brand names depict flowers and other pleasant manifestations of nature. As the Tagalog language finds more widespread usage in the Philippines, product names undoubtedly will shift to this language.

Labeling and marking regulations are strictly enforced by Philippine customs authorities. All products, imported or locally manufactured, must be labeled to indicate brand, trademark, or trade name; country of manufacture; physical or chemical composition; net weight and measure if necessary; and address of manufacturer or repacker. Mislabeling or misbranding may subject the entire shipment to seizure and disposal and/or fines up to $5,000 and/or prison sentences up to 6 months.

The country of origin lettering must be permanent enough to appear on the article at least until it reaches the ultimate purchaser. The name must be in Tagalog, English, or Spanish and may be in abbreviated form. The designation "Made in U.S.A.," for example, is generally acceptable.[2]

CUSTOMS PROCEDURES

Entry.—The Philippines is divided into 18 customs collection districts, each with a principal port of entry. The only regular airport of entry is the International Airport of Manila, although under special circumstances others may be used. There are no free ports.

At the seaport or airport of entry, all merchandise must be entered through a customhouse within 15 days from the date of discharge of the last package from a carrier, although the collector may grant an extension of not more than 15 days.

A formal entry must be made for most goods imported. The estimated customs duties, wharfage fee, special import tax, and other tax (percentage sales, compensating, or specific) are deposited with the collector when the formal entry form is filed.

All inquiries by importers concerning the status of import entry papers during processing should be addressed to the Entry Control Center, Office of the Collector of Customs, Manila, the Philippines. The Tariff and Customs Code of the Philippines gives complete information on Philippine import tariffs, procedures regarding customs house entry, Philippine ports of

[2] See U.S. Department of Commerce, *Foreign Trade Regulations of the Philippines*, Washington, D.C., November 1963 (OBR 63-138) for additional detail on Philippine documentation and fee requirements and packaging, labeling, and marking requirements. Price of publication, 15¢.

entry, warehousing of imported articles including warehousing fees, and other port fees, and other rules and regulations concerning the entrance of goods into the Philippines. The Code can be obtained from the Bureau of Printing, Manila.

Transit and Reexport.—Goods in transit to another Philippine port or to a foreign port may be entered under bond in a warehouse or entered under bond for immediate transportation without appraisement. When the goods are intended for immediate transhipment

MANILA: Boulevard leods post towered city holl ond other public buildings (background) to oblong office.

and not to be appraised, the collector may designate the vessel on which the merchandise is loaded as a warehouse to facilitate the direct transfer. Goods entered in a warehouse are subject to a bond equal to one and one-half times the estimated duties, taxes, and other charges. Merchandise may remain in a bonded warehouse for 2 years from the time of arrival at the port of entry, with an extension of not more than 1 year.

For imported materials used (in whole or in part) in articles manufactured in the Philippines and re-exported within 3 years, a drawback of 99% of the duties may be made. In general, however, when the import duty is paid without a drawback arrangement, no refund is permitted.

SAMPLES AND ADVERTISING MATTER

Samples which are unsalable or of no appreciable commercial value, models not adapted for practical use, and samples of medicine properly marked "physicians' samples not for sale," are permitted entry without duty.

Samples of commercial value, with certain exceptions such as precious and semiprecious stones, also may be imported without duty provided the value of any single importation does not exceed 10,000 pesos. However, the importer must post bond equal to one and one-half times the ascertained duties, taxes, and other charges with the collector of customs and export the samples within 6 months of their entry. When a single shipment of samples is valued at more than 10,000 pesos, the importer may select any portion of the shipment not exceeding 10,000 pesos in value for entry as stated above; the remainder may be entered in bond, or entered for consumption by paying the applicable import duties and taxes.

Printed material, including pictures and photographs containing printed matter, such as lithographs, posters, signs, catalogs, price lists, pamphlets, booklets, and folders for advertising foreign products and foreign business, may be imported without payment of duties. Accompanying documents should indicate that the articles are samples or advertising matter and not for sale. Similar materials for advertising Philippine products and Philippine business houses, firms, offices, associations, corporations, trades, or professions, are subject to payment of duties. Calendars of all kinds are also dutiable.

When an article is not specifically mentioned in the Philippine Tariff and Customs Code, information regarding applicable duty rates and taxes may be requested from the Philippine Tariff Commission. When possible, a sample should be enclosed with the request. When this is impractical, a complete description of the article plus photographs may be required to assist the customs appraiser. The article becomes dutiable under the heading indicated by the Commission at the rate in effect at the time of importation.

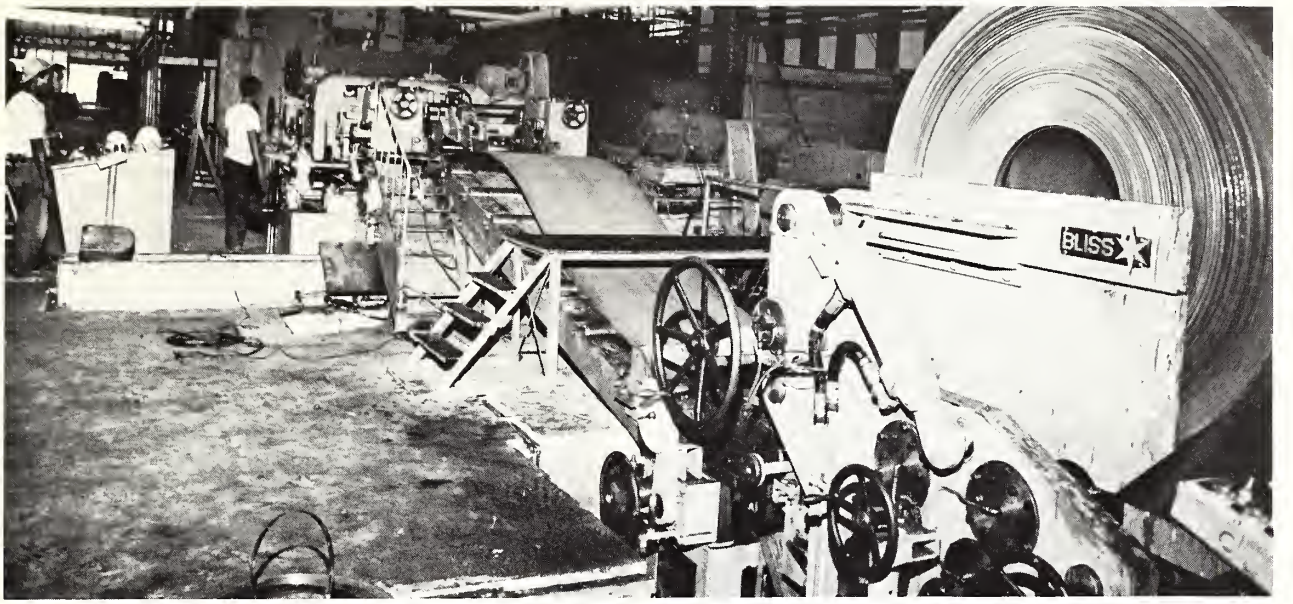
U.S. EXPORT CONTROLS

All exports from the United States or its possessions to the Philippines are subject to the rules and regulations of the Office of Export Control, Bureau of International Commerce, U.S. Department of Commerce, except for exports of arms, ammunition, and implements of war, which are licensed by the U.S. Department of State; gold (except fabricated gold with a gold content value of 90% or less) and narcotics, licensed by the U.S. Department of Treasury; tobacco plants and seeds, licensed by the U.S. Department of Agriculture; vessels, licensed by the U.S. Maritime Administration; natural gas and electric energy, licensed by the Federal Power Commission; and certain source material and facilities for the production of fissionable material, licensed by the Atomic Energy Commission.

The regulations concerning export control set forth in the Comprehensive Export Schedule and supplementary Current Export Bulletins may be purchased from any Field Offices of the U.S. Department of Commerce or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription rate of $7 ($2 additional for foreign mailing). Airmail service on the supplementary bulletins is available, to domestic subscribers only, at an additional cost of $4 a year.

A Shipper's Export Declaration must be filed with the Collector of Customs for shipments requiring a validated export license and for most shipments under a general license. Information regarding the declaration may be obtained from the Foreign Trade Division, Bureau of the Census, U.S. Department of Commerce, Washington, D.C., 20233.

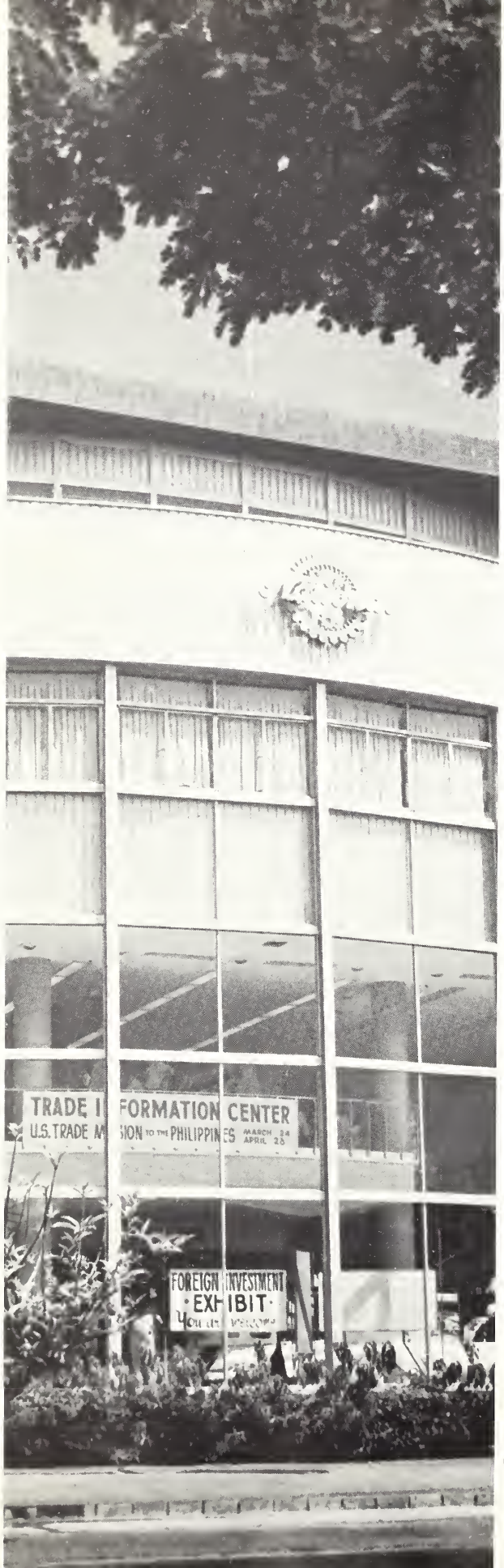
A destination control statement is necessary for all shipments requiring a validated export license and most shipments made under a general license. This includes virtually all commercial shipments from the United States. The major exceptions to the requirement for an appropriate statement are shipments intended for consumption in Canada (other than beet



STEEL ROLLS OFF PICKLING LINE: The expanding iron and steel industries are in the market for imported equipment.

and cane sugar); shipments transiting the United States which do not require a validated export license, and shipments of certain publications and unclassified technical data.

Additional information concerning export control requirements for shipment to the Philippines may be obtained directly from the Office of Export Control, Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C. 20230, or from any of the Department's Field Offices.



Chapter 8

THE DEPARTMENT OF COMMERCE both in Washington and through its 42 field offices in principal U.S. cities, offers a range of activities, services, and publications designed to assist the U.S. businessman trading overseas. The U.S. manufacturer or exporter considering the Philippine market is encouraged to use these aids, and those available from other sources. One or more of the following services, publications, or sources may be helpful:

DEPARTMENT OF COMMERCE

Trade Missions.—The Department of Commerce organizes trade missions to countries overseas. The mission members meet with foreign business groups, private businessmen, and Government officials, and present business proposals submitted by U.S. companies. Any reputable U.S. firm may submit business proposals—at no charge—usually up to 6 weeks before each mission's departure. Three missions have visited the Philippines since 1960.

Department of Commerce assistance also is available to industry groups interested in sending private trade missions overseas. Such assistance was given a private mission interested in grocery retailing that visited the Philippines in 1963. For information about these services, write to the nearest Department of Commerce Field Office or the Trade Mission Division of the Bureau of International Commerce, Washington, D.C., 20230.

Sample Display Service.—Some U.S. embassies, including the one in Manila, are equipped to help find agents or distributors for U.S. firms with the aid of displays of the firm's products. Showrooms are available at these embassies. This service is described in the Department of Commerce publication *Sample Display Service*, available from the Superintendent of Documents, Washington, D.C. 20402, for 10 cents.

Trade Contact Surveys.—This is another service designed to aid a U.S. firm to locate a qualified agent, distributor, or licensee overseas. The survey is made for individual firms by request to the Department of Commerce. It is conducted by U.S. embassy commer-

READY FOR BUSINESS: Message carried by U.S. trade missians ta Filipina businessmen from Manila headquarters.

cial officers, who contact local firms and report on those (three, if possible) who express an interest in meeting the firm's requirements. The report also includes marketing data for the products involved. A charge of $50 is made for each survey. Details and application forms are available from any Commerce Department Field Office or the Commercial Intelligence Division, U.S. Department of Commerce, Washington, D.C. 20230.

Sales Literature Displays.—The commercial library of the American Embassy, Manila, provides facilities for the display of sample literature. For information write the Office of International Trade Promotion, Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C., 20230, or contact a Department Field Office.

Specific Information.—Requests for specific information about any aspect of the Philippine economy or about customs duties, or licensing and documentary requirements applicable to imports of particular commodities into the Philippines, should be directed to any Commerce Department Field Office or to the Far Eastern Division, Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C. 20230.

MARKETING AIDS

Publications:

Trade Lists.—$1 per list. Each list contains names, addresses, and brief descriptions of foreign firms (manufacturers, exporters, importers, distributors, agents, etc.) handling a specific commodity or performing a certain service in a particular country. Each list includes a summary of useful market data. These lists may be obtained from the Commercial Intelligence Division, Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C. 20230, or from any Department Field Office.

World Trade Directory Reports.—$1 each. Each report contains detailed commercial and sales information on a specific foreign firm to provide a basis for determining the firm's competence and reliability. Information includes data as to type of organization, method of operation, lines handled, size, capitalization, sales volume, names of officers, reputation, representatives in the United States and U.S. lines represented (if any) as well as sources of credit information and other references. Available from the Bureau of International Commerce, Commercial Intelligence Division, U.S. Department of Commerce, Washington, D.C. 20230, or from any of the Department's Field Offices.

International Commerce.—The Commerce Department's weekly news magazine for businessmen interested in trade and investment abroad. This magazine reports on general economic conditions in countries around the world and on changes in U.S. Government and foreign government regulations affecting trade and investment. Each issue contains, in addition, specific trade leads and scheduled arrival dates and U.S. addresses of foreign buyers and sellers, gathered through the facilities of the U.S. Foreign Service. The subscription price is $16 a year; make remittances payable to the Superintendent of Documents, and mail to the nearest Department Field Office, or to the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Checklist: Bureau of International Commerce International Business Publications.—Lists current reports in the *Overseas Business Reports* (formerly World Trade Information Service) series, the special supplements to *International Commerce,* and other international business publications of the Department of Commerce. Free. Order from the Sales and Distribution Section, U.S. Department of Commerce, Washington, D.C. 20230.

What You Should Known About Exporting.—A how-to-get-started-in-exporting handbook. Gives full infor-

mation on Commerce Department services to exporters as well as on private business aids to marketing abroad. Available from the Superintendent of Documents. U.S. Government Printing Office, Washington, D.C. 20402. Price, 25¢.

DEPARTMENT OF AGRICULTURE

Information on agricultural commodities, livestock, and agricultural development programs is available from the Foreign Agricultural Service of the U.S. Department of Agriculture, Washington, D.C. An excellent recent publication of this Department of interest to the U.S. agricultural supplier is entitled, "The Philippines: Long-Term Projection of Supply and Demand for Selected Agricultural Products with Implications for U.S. Exports" (ERS-Foreign-58) of March 1963. This study was initiated to determine the long-term projections of supply and demand in the Philippines for selected agricultural commodities, and to assess the country's import demand for these commodities in 1965 and 1975.

THE EXPORT-IMPORT BANK

This U.S. Government agency is designed to assist in the promotion of exports by financing specific transactions, by guaranteeing loans made by commercial banks, and by underwriting export credit insurance. For more information, consult your commercial bank or write directly to the Export-Import Bank of Washington, 811 Vermont Avenue NW., Washington, D.C., 20571.

AGENCY FOR INTERNATIONAL DEVELOPMENT

The Agency for International Development (AID) administers the U.S. foreign economic assistance program, a substantial part of which is in the form of development loans. In addition, AID provides development grants and technical assistance to many less developed countries. Its financing activities also include investment guarantees and investment surveys as well as loans in local currencies which are generated from U.S. sales of surplus agricultural commodities ("Cooley loans").

Application for loans in the Philippines should go either to the AID mission in that country, or to the Office of Development, Finance, and Private Enterprise, Bureau for the Far East, Agency for International Development, Washington, D.C., 20523. Further information on the Investment Guarantee Program is available from the Investment Guarantee Division, Agency for International Development, Washington, D.C., 20523.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Contracts for equipment and services paid for by IBRD (World Bank) funds generally are required to be open to international competitive bidding. Procurement is possible in any member country and Switzerland. Information on procurement requirements is contained in a release, *Guidelines Relating to Procurement Under World Bank Loans and IDA Credits*, available from the International Bank for Reconstruction and Development, 1818 H Street, N.W., Washington, D.C.

OTHER AIDS

Credit information on firms in the Philippines is available to the U.S. exporter from several sources. The most readily available source is the exporter's local bank. Most U.S. banks in international business have correspondents among the licensed banks operating in the Philippines and can obtain information for their customers through these correspondents.

Two of the larger U.S. banks have branch offices in the Philippines—the First National City Bank of New York and the Bank of America. Besides providing credit information, these banks prepare reports on general economic conditions, the business and investment climate, the country's trading posture, and specific industries. Other U.S. banks are also represented in the Philippines and provide similar services. An active American Chamber of Commerce is located very near the American Embassy.

The Philippine American Chamber of Commerce at 50 Broad Street, New York, New York, and the Philippine Association at 501 Madison Avenue, New York, New York, publish weekly news bulletins covering important Philippine political, economic, and commercial developments.

The National Foreign Trade Council in New York has a nationwide membership of companies engaged in foreign trade and other business operations abroad. This organization provides information and consultative services to members. The Chamber of Commerce of the United States has a Foreign Commerce Department which also may be helpful.

APPENDIXES

A. Notes to Businessmen

BUSINESS CORRESPONDENCE

Business correspondence is normally conducted by airmail. It takes approximately 5 days to a week for a letter to reach its final destination in the Philippines. Use of sea mail is not recommended owing to the long delay involved. Cables are frequently used on appropriate occasions, but long distance telephone service is infrequently utilized. English is the usual language of correspondence. The Philippines uses the metric system of weights and measures.

BUSINESS HOURS

Office hours for business firms and the Philippine Government are from 8 or 8:30 a.m. to 5 p.m. with 2 hours for lunch. Some Philippine businessmen nap shortly after lunch, so the afternoon's business may not start before 2:30 or 3:30. It is best, therefore, to attempt to accomplish business objectives in the morning or late afternoon.

Offices are generally closed on Saturdays and Sundays and the following public holidays: January 1, New Year's Day; Easter Holidays, which include Holy Thursday and Good Friday; May 1, Labor Day; June 12, Independence Day; July, 4, Philippine-American Day; November 30, National Heroes' Day; December 25, Christmas; December 30, Rizal Day. In addition, special holidays such as Bataan Day and General Elections Day may be called by the President of the Republic.

HEALTH REGULATIONS AND PRECAUTIONS

All persons traveling to the Philippines must have a certificate showing smallpox vaccination within the last 3 years. Typhoid, tetanus, cholera, diphtheria, and poliomyelitis inoculations are recommended for all international travel. Since gastro-intestinal infections are common, travelers are advised to take the usual precautions against eating raw foods and uncooked vegetables. It is also advisable to boil tap water before drinking, a practice followed by the better hotels and restaurants. When traveling out of Manila it is best to avoid drinking the water and use bottled beverages instead.

PASSPORT AND VISA REQUIREMENTS

The general visa granted to business travelers to the Philippines is valid for no longer than 59 days from date of arrival. Except for U.S. Government employees and their dependents, Americans must register with the Philippine Bureau of Immigration and obtain a certificate of registration if they stay in the Philippines longer than 59 days, and then reregister annually thereafter.

U.S. citizens are eligible for special visas as treaty traders or treaty investors. These visas are granted to prospective owners of an enterprise, executive or supervisory personnel, and technical personnel who have special qualifications that make their services essential to the efficient operation of the business of their employers. Employees must show that their employers are nationals of the United States, or that their companies are at least 51% owned by U.S. nationals. Visas for treaty traders and treaty investors are valid for any number of entries during a 4-year period.

There are no official limitations on the number of foreign employees that a firm may have although the general preference of the Philippine Government is for foreign firms to keep employment of foreigners to a minimum so that Filipinos may hold as many positions as possible. In an attempt to implement this preference, the Philippine Government has, at times, been restrictive of the eligibility of U.S. citizens for special treaty trader or treaty investor visas.

Pursuant to an Agreement with the United States, visitors who propose to stay in the Philippines for 59 days or less are granted a visa gratis. Application for visa must be executed in duplicate under oath administered by a Philippine consular officer. Letters of recommendation may be required. An alien who has no validated visa will be allowed to stay in the Philippines 72 hours from the time of arrival.

CURRENCY REGULATIONS

There is no limit on the amount of Philippine currency that may be legally brought into or taken out of the Philippines. Abroad, pesos should be purchased only from reliable banks or dealers as there are several series of obsolete bills still in circulation, and counterfeiting has taken place.

Local banking facilities are adequate. The First National City Bank, Bank of America and American Express Company have branches in Manila and there are numerous local banks. A nominal stamp tax is assessed on cashing of dollar and peso checks.

INTERNAL TRANSPORT

Philippine taxis are abundant and rates are among the lowest in the world. Manila cabs are metered with a minimum fare of approximately 5 cents. In the provincial cities, cabs are not as frequently available as in Manila. Cars can also be rented by the half-day, day, or week for approximately $10-$15 a day.

Manila is the industrial and trading center of the Philippines, but profitable business contacts can be made in other Philippine cities, including Cebu (the trading center of the south, and of the thriving coconut industry), Bacolod (sugar center), and Davao (Philippine logging and lumber center). Philippine airlines regularly connect Manila with these cities. Many planes used in flight are two engine DC-3's, Fokkers and Viscounts. While airport and runway facilities are not those the Western businessmen are accustomed to, the safety record of Philippine air carriers has generally been good.

LODGINGS

Generally, hotel rooms in Manila are not comparable to the first-class rooms in the United States. This situation may change in the near future as two leading U.S. hotel chains have announced building plans. Outside of Manila, excellent hotel facilities are available in the city of Davao on Mindanao and in the City of Cebu.

Hotel construction in Manila, the capital, has not kept pace with demand and at certain times of the year suitable accommodations are very difficult to find. Rooms are more readily available in some provincial cities.

Daily prices in Manila hotels for a room with bath run from $8 to $16 dollars; in the provincial cities comparable hotel rooms are somewhat cheaper.

PRODUCTIVITY: Manhours in sawing lags run high.

RESTAURANT FACILITIES

Pleasant and adequate dining facilities are offered by the leading hotels and by a growing number of restaurants and night clubs. Excellent dining facilities are provided by private clubs, including the country clubs.

CLOTHING

Cotton and similar lightweight clothing is worn the year around in Manila by men, women, and children. Dacron/cotton mixtures or other synthetic cloth mixed with cotton are strong favorites. Washable clothing is a must.

In men's clothing, tropical worsted and Palm Beach type suits are commonly worn. Dark colors are now more popular than light suits. During the hotter months in Manila it is common for businessmen to make calls without a suit coat. A shirt and tie are acceptable. In the Provinces, the tie also is often omitted. Wash ties are useful.

After arrival many men are convinced of the practicality and cool comfort of the locally made Barong Tagalog, an open-necked, handsomely embroidered, loose-fitting shirt worn outside the trousers. This garment can also be worn to formal functions when combined with dark trousers.

Hats are unnecessary in the Philippines and seldom worn except on the golf course. An umbrella and a lightweight raincoat would be useful. Convenient laundering services are available in most hotels; dry cleaning facilities are rare and cannot be considered first class.

Women's clothing of cotton materials are best suited to the climate even though other materials could be worn comfortably in the cooler season and in the air conditioned rooms in Manila. Light colors are popular in the hotter months; darker colors in the cooler months. Generally, cocktail dresses are popular and worn much more frequently than in the United States. Only a few women wear hats, even in churches. Veils and mantillas are used in Catholic churches. Short white cotton gloves are worn occasionally. It is a matter of personal preference whether one wears stockings. There are a number of good beauty parlors in Manila and other Philippine cities.

MISCELLANEOUS SUPPLIES

Imported brands of toiletries and cosmetics are available on the open market, but they are very expensive. Many common brand name products produced in the Philippines under licensing agreements are available at prices comparable to those in the United States. Excellent drug stores are available in Manila.

ELECTRICAL CURRENT

Electrical current is 60 cycle AC and is usually 220 volts. Where transformers are required, hotels will supply them.

TELEPHONE FACILITIES

. The Philippines enjoys a fairly well developed telephone communication network. Telephone facilities in Manila and some major cities are overburdened, and at times it is difficult to reach the desired party. Interisland long distance service is poor, so cables are most frequently used.

Many prominent Filipino families have unlisted home phones. Business telephones outnumber private telephones.

RADIO AND TELEVISION FACILITIES

Manila is well served with radio and TV facilities. Cebu, Davao, and Bacolod also have TV stations in addition to a number of radio stations; most Philippine cities of any size have radio stations.

PERSONAL BUSINESS RELATIONSHIPS

As a rule, family ties and friendships are far more important in business relationships in the Philippines than in the Western world. Personal trust and personal evaluations of credit and character therefore assume great importance. Bargaining on price and credit is important to the Philippine businessman, who will react against a "take it or leave it" approach. These intangible psychological factors are exceedingly important in doing business in the Philippines as they are elsewhere.

EMBASSY AND U.S. BANKING FACILITIES

The American Embassy in Manila, which is prominently located on Roxas Boulevard (formerly called Dewey Boulevard), and the American Consulate in Cebu, the shipping center of the southern Philippines, are important sources of information and contacts for all U.S. businessmen visiting the Philippines. A commercial library and a small sample display service are located at the Embassy.

The economic section of the Embassy is responsible for the promotion and protection of U.S. business interests in the Philippines. A Commercial Attache assisted by a staff is responsible for carrying out the programs and objectives of the U.S. Department of Commerce there. The Commercial Attache also serves as the investment coordinator for the Embassy.

B. Bibliography

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"Five-Year Socio-Economic Program for the Philippines." Annex A to *State of the Nation Message of President Diosdado Macapagal,* January 22, 1962.

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Production of Selected Manufacturing Establishments. Bureau of Census and Statistics, Department of Commerce and Industry.

Statistical Bulletin. (Quarterly.) Central Bank of the Philippines.

Tariff and Customs Code of the Philippines. Republic of the Philippines.

U.S. GOVERNMENT, WASHINGTON, D.C.

Department of Commerce:

Overseas Business Reports:

Basic Data on the Economy of the Philippines, OBR 64-7, February 1964. 15¢.

Establishing a Business in the Philippines, OBR 64-11, February 1964. 15¢.

Foreign Trade of the Philippines, 1960-61, OBR 63-29, January 1963. 15¢.

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Department of Agriculture:

Summary and Evaluation of the Philippines: Long-term Projection of Supply of and Demand for Selected Agricultural Products with Implications for U.S. Exports. Economic Research Service, U.S. Department of Agriculture, November 1963.

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Far Eastern Economic Review. (Weekly.) Far Eastern Economic Review Ltd., Hong Kong. 30¢ per issue.

Journal of the American Chamber of Commerce of the Philippines. (Monthly.) American Chamber of Commerce of the Philippines, Inc., Suite 615, Shurdut Bldg., Manila, P.O. Box 1836, Philippines. $5.00 for a year's subscription.

Manila Bulletin. (Daily.) H. M. Menzi, Manial, Philippines. 3¢ per issue in Manila.

Philippines, Return to Free Market Economy. Foreign Information Service, First National City Bank of New York, New York, January 1963, 10 pages.

George E. Taylor, *The United States and the Philippines: Problems of Partnership.* Council of Foreign Relations, Frederick A. Prager, 64 University Place, New York 3, New York. 1964. 325 pages, $6.95.

Weekly Economic Review. Philippine Association, 501 Madison Avenue, New York 22, New York. $70 for a year's subscription.

Weekly Bulletin. Philippine American Chamber of Commerce, 50 Broad Street, New York 4, New York. For members only.

For a listing and brief description of other publications used in the preparation of this report, please see chapter 6, Marketing Channels and Aids; and chapter 8, Trade Promotional Services and Marketing Aids. A copy of the text of the Revised United States-Philippine Trade Agreement of 1955 (Laurel-Langley Agreement), complete and summarized, is available from the Publication Sales and Distribution Section, U.S. Department of Commerce, Washington, D.C. 20230, for 15 cents.

Philippine publications listed in this bibliography are in English. Copies are available for consultation at the Far Eastern Division, the U.S. Department of Commerce, Washington, D.C.

WINNOWING RICE on plains of central Luzon.

TABLES

Table 1.—U.S. Exports of Domestic Merchandise to the Philippines, 1961-63

[Thousands of U.S. dollars]

Commodity	1961	1962[1]	1963
Total, all commodities	331,102	266,185	319,751
Food and live animals	51,873	32,218	37,654
Dairy products	16,719	1,104	6,337
Wheat	18,890	12,095	17,365
Wheat flour	2,713	1,013	712
Fruits and preparations	2,361	1,790	2,793
Vegetables and preparations	1,385	677	974
Beverages and tobacco	5,118	228	216
Crude materials, inedible, except fuels	24,121	26,819	27,386
Oilseeds, oilnuts, oil kernals	195	18	1,689
Soybeans	(2)	(2)	1,682
Crude rubber (including synthetic and reclaimed)	2,045	1,848	1,954
Pulp and waste paper	2,052	980	2,265
Raw cotton	17,117	20,938	14,000
Textile fabric waste (including rags)	265	1,034	5,343
Mineral fuels, lubricants and related materials	7,466	6,196	6,612
Petroleum products	7,441	6,103	6,599
Animal and vegetable oils and fats	1,993	1,597	1,552
Animal oils and fats	1,472	1,234	1,151
Tall tallow, inedible	(2)	(2)	1,067
Chemicals	31,080	24,430	27,862
Medicinal and pharmaceutical products	8,423	5,308	6,318
Essential oils, perfume, and flavor materials	2,417	1,539	2,569
Fertilizers, manufactured	1,352	1,123	614
Plastic materials	3,721	2,502	3,343
Manufactured goods, classified chiefly by material	86,365	65,839	76,973
Leather and manufactures	3,623	3,189	4,237
Rubber materials and articles	3,544	1,842	2,006
Paper and paperboard	15,166	8,927	9,376
Newsprint paper	(2)	(2)	1,752
Cigarette paper	(2)	(2)	872

Table 1.—U.S. Exports of Domestic Merchandise to the Philippines, 1961-63 (Continued)

[Thousands of U.S. dollars]

Commodity	1961	1962[1]	1963
Articles of paper, paperboard	2,198	1,601	1,550
Textile yarn and thread	3,606	3,346	3,697
Cotton fabrics, woven	20,376	15,460	16,796
Textile fabrics, woven, other	3,721	6,719	10,734
Textile articles, made-up	2,821	3,607	2,936
Glass and products	1,447	1,350	1,324
Iron and steel bars, rods, angles, etc.	884	577	1,437
Iron and steel plates and sheets	10,451	4,644	4,990
Iron and steel tubes, pipes, fittings	1,276	754	969
Aluminum	1,890	888	2,064
Machinery and transport equipment	105,242	93,111	122,647
Power-generating machinery, not electric	5,382	5,123	6,483
Agricultural machinery	10,143	11,423	16,494
Office machines	3,192	2,878	2,641
Metalworking machinery	1,714	1,357	1,833
Textile and leatherworking machinery	8,282	3,145	1,431
Special industry machinery	8,255	9,443	11,202
Electric power machinery	9,346	6,334	10,658
Telecommunications equipment	3,023	2,047	2,454
Railway transportation equipment	1,953	564	715
Road motor vehicles	21,073	21,366	30,186
Aircraft	578	891	1,509
Miscellaneous manufactured articles	13,731	11,989	14,131
Scientific, medical, optical (photographic) measuring and controlling instruments and apparatus	2,496	2,474	2,498
Books, maps, printed matter	3,579	2,397	3,221
Commodities and transactions, n.e.s.	4,113	3,758	4,718

[1] On January 1, 1962, the effective import duty rate for Philippine imports of U. S. articles rose from 50% to 75% of the normal rate, as provided for in the Revised United States-Philippine Trade Agreement. Effective January 1, 1965, Philippine imports from the United States will be assessed 90% of the normal duty rates.

[2] Negligible.

Note.—The effect on imports of the devaluation of the peso in 1962 must be considered in evaluating the data in this table and in all comparable tables in this report.

Source: Bureau of the Census, U. S. Department of Commerce.

Table 2.—U.S. Imports from the Philippines, 1961-63

[Thousands of U.S. dollars]

Commodity	1961	1962[1]	1963
Coconut meat, shredded	13,196	12,213	15,535
Pineapple, canned	5,717	3,067	3,094
Sugar	151,478	150,325	162,491
Tobacco scrap	3,268	3,035	3,937
Copra	48,329	45,967	38,092
Wood, shaped or simply worked	3,656	4,046	3,881
Abaca or Manila fiber	10,069	8,206	8,111
Chrome ore or chromite	5,244	5,917	3,859
Coconut oil	15,966	25,355	38,856
Plywoods	8,557	14,583	15,425
Veneers	4,303	5,634	8,355
Clothing, except fur	23,514	26,860	27,074
Total	320,933	321,285	343,068

[1] On January 1, 1962, the effective import duty rate for U.S. imports of Philippine articles rose from 10% of the normal rate to 20%.

Source: Bureau of Census, U.S. Department of Commerce.

Table 3.—U.S. Direct Investment in the Philippines by Major Economic Sectors, Net Capital Flows, and Undistributed Subsidiary Earnings, 1954-63

[Millions of U.S. dollars]

Year	Direct investment					Net capital flows[3]	Undistributed subsidiary earnings[4]
	Total	Manufacturing	Public utilities	Trade	Other[2]		
1963	415	110	27	64	214	21	16
1962	374	89	28	59	198	−16	16
1961	439	89	104	55	191	−1	27
1960	414	91	92	50	181	6	21
1959	385	86	85	45	169	21	22
1958	343	49	82	70	37	6	30
1957	307	41	73	61	37	16	24
1956	266	36	67	52	31	15	23
1955	226	31	61	39	28	−4	14
1954	216	29	58	36	27	18	8
Total						82	201

[1] The Philippines ranked 12th in the world as an outlet for private U.S. investment in 1961, 16th in 1962, and 18th in 1963.

[2] Including mining and petroleum investments, and agriculture investments for 1959-63 only.

[3] Net flow of capital is from the United States to the Philippines in all years except those for which figures are preceded by a minus. In those years the net flow is reversed.

[4] In the Philippines almost all undistributed subsidiary earnings are reinvested.

Note.—Except for 1962, undistributed subsidiary earnings plus net capital flows roughly equals yearly changes in the cumulative direct investment totals. Net change in U.S. direct investment from 1954 to 1963 is $199 million.

Source: Office of Business Economics, U.S. Department of Commerce, *Survey of Current Business*, August, 1955-64.

Table 4.—Philippine Imports by Uses of Goods, 1959-63

[Values f.ob.b. in million dollars]

Item	1959	1960	1961	1962	1963
Grand Total	523.6	603.9	611.3	586.7	618.2
Producers goods, total	460.5	520.3	515.0	503.4	524.1
Machinery and equipment	81.1	152.3	112.1	93.5	101.0
Unprocessed raw materials	49.8	60.1	72.8	101.5	105.7
Semi-processed raw materials	255.2	252.2	286.7	264.7	288.7
Supplies	74.4	55.7	43.4	43.7	28.7
Consumers goods, total	63.1	83.6	96.3	83.3	94.1
Durables	3.5	4.9	5.2	5.1	5.2
Nondurables	59.5	78.7	91.1	78.2	88.9

Source: Central Bank of the Philippines, Manila, the Philippines. *Annual Report, 1959-62.*

Table 5.—Average Daily Wage Rates of Industrial Laborers in Manila and Suburbs, by Occupation, 1960-63

[Pesos; P3.9 = US$1]

Occupation	1960	1961	1962	1963
Blacksmiths	6.41	6.54	6.68	6.90
Boilermen	8.58	8.50	8.66	9.19
Carpenters	6.64	6.46	6.67	6.98
Drivers	7.12	7.03	6.88	6.99
Cigars and cigarette makers	6.41	6.81	7.42	6.56
Compositors	8.35	8.48	8.38	8.12
Electricians	8.30	8.13	8.34	8.93
Foremen	11.23	11.55	11.64	12.00
Lathemen	8.24	7.64	7.52	7.71
Linotypists	11.22	11.02	10.80	10.72
Tinsmiths	6.37	6.50	6.74	7.22
Masons	5.68	5.77	5.64	5.82
Mechanics	8.09	8.06	8.30	8.82
Painters	6.47	6.46	6.57	6.85
Plumbers	8.19	8.03	8.18	8.95
Common laborers	5.28	5.41	5.57	5.87

Source: Central Bank of the Philippines, Manila, the Philippines, *Statistical Bulletin*, Vol. XV, No. 4, December 1963, pp. 299-301.

Table 6.—Philippine Imports of Food and Food Products, by Major Supplying Countries, 1960 and 1962-63

[Thousands of U.S. dollars]

Product	Value		
	1960	1962	1963
Meat and meat preparations	6,084.0	7,527.9	5,043.9
United States	366.5	186.9	281.9
Australia	899.0	1,141.2	1,242.4
Argentina	2,603.5	4,690.1	2,450.8
New Zealand	74.0	64.7	166.2
Dairy products and eggs	24,864.5	24,786.7	20,408.6
United States	16,598.5	11,022.1	6,930.1
Netherlands	5,338.5	8,380.1	7,580.4
Australia	594.0	1,581.3	2,047.0
Fish and fish preparations	21,879.0	8,511.1	13,651.0
Japan	6,983.5	1,812.3	7,454.7
Hong Kong	51.5	89.3	63.6
Republic of South Africa	(1)	5,359.6	5,098.6
United States	4,069.0	232.0	409.4
Wheat, unmilled	8,000.5	22,806.2	27,880.9
United States	6,074.0	11,627.0	14,247.4
Canada	1,398.0	11,014.4	12,644.2
Switzerland	(1)	164.5	(1)
Rice	(2)	3,413.4	1.0
United States	(2)	0.9	(2)
Thailand	(2)	3,412.5	(1)
Oats, unmilled	352.0	242.0	72.0
United States	64.5	34.9	7.6
Canada	219.0	88.7	(2)
Netherlands	32.0	43.7	(1)
Australia	23.0	73.6	64.7
Citrus fruit, apples, grapes	1,068.5	1,312.2	1,463.6
United States	451.0	510.9	583.5
Japan	441.5	469.2	603.9
Hong Kong	7.0	6.6	6.8
Republic of South Africa	(1)	43.1	34.6

[1] Not available.

[2] Less than US$500.

Source: Department of Commerce and Industry, Manila, the Philippines, *Foreign Trade Statistics of the Philippines, 1960, 1962,* and *1963.*

Table 7.—Philippine Imports of Textile Fabrics, by Major Supplying Countries, 1962-63

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Cotton fabric, grey unbleached	1,092.2	104.2
Japan	996.8	65.7
United States	39.8	34.8
Taiwan	55.7	(1)
Cotton fabric, pile and chenille	32.0	19.6
Cotton fabric for embroidery and reexport	4,944.4	(2)
United States	4,488.2	(2)
Japan	425.9	(2)
Switzerland	19.6	(2)
Cotton fabric, bleached	983.3	(2)
United States	283.8	(2)
Japan	579.0	(2)
Hong Kong	107.5	(2)

Table 7.—Philippine Imports of Textile Fabrics, by Major Supplying Countries, 1962-63 (Continued)

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Cotton fabric, dyed	1,225.4	(2)
United States	393.9	(2)
Japan	780.5	(2)
Hong Kong	278.2	(2)
Cotton fabric, printed	768.3	(2)
United States	212.5	(2)
Japan	532.3	(2)
West Germany	9.8	(2)
Cotton fabric, plain weave woven with dyed yarns	750.2	(2)
United States	339.8	(2)
Japan	384.9	(2)
Canada	16.3	(2)
Cotton fabric, twilled yarn woven with dyed yarn	1,037.5	(2)
United States	603.6	(2)
Hong Kong	25.2	(2)
Japan	408.7	(2)
Cotton fabric, denim	837.6	374.3
United States	831.1	29.8
Japan	6.3	315.4
Synthetic fabric, woven	4,745.4	7,017.8
United States	1,356.8	3,105.8
Japan	3,436.8	3,842.4

[1] Not available.

[2] No comparable data available.

Source: Department of Commerce and Industry, Manila, the Philippines, *Foreign Trade Statistics of the Philippines, 1962* and *1963.*

Table 8.—Philippine Imports of Household Goods and Furnishings, by Major Supplying Countries, 1962-63

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Chairs and seats	11.2	8.4
United States	8.4	4.5
Japan	.5	1.6
Hong Kong	.7	1.8
Spain	.3	(9)
Phonographs	64.7	28.0
United States	16.3	3.1
United Kingdom	25.9	5.5
Hong Kong	5.6	(1)
Japan	4.8	7.1
Tape recorders	61.0	184.3
United States	27.7	61.8
West Germany	3.5	7.1
Hong Kong	17.0	24.9
Japan	8.0	12.8
Television receivers	202.5	155.0
United States	157.5	123.8
Hong Kong	6.6	6.8
Japan	21.3	15.4
Radio receivers	1,129.3	68.3
United States	204.6	15.2
West Germany	42.7	16.8
Japan	641.0	10.7
Hong Kong	129.6	22.0
Refrigerators	136.5	(1)
United States	113.7	(1)
Japan	9.7	(1)

Table 8.—Philippine Imports of Household Goods and Furnishings, by Major Supplying Countries, 1962-63 (Continued)

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Electric fans	31.7	9.9
United States	13.6	2.1
Hong Kong	6.6	4.7
Japan	6.0	2.4
Electric stoves and ranges	108.8	142.9
United States	97.6	133.0
Japan	3.7	3.1
West Germany	3.0	1.8

[1] Not available.

Source: Department of Commerce and Industry, Manila, the Philippines, *Foreign Trade Statistics of the Philippines, 1962* and *1963*.

Table 9.—Philippine Imports of Office Machines, by Major Supplying Countries, 1962-63

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Typewriters and check-writing machines	768.5	1,236.6
United States	312.7	369.9
Italy	150.1	261.8
Netherlands	81.7	212.3
Calculating and accounting machines and computers	2,055.8	2,245.8
United States	1,377.9	1,139.5
Italy	233.2	380.6
United Kingdom	140.1	425.4
Statistical machines, using punch cards	353.4	298.2
United States	325.0	215.4
France	20.6	31.2
Stapling machines	33.8	(1)
United States	24.0	(1)
United Kingdom	4.2	(1)
Japan	4.1	(1)
Duplicating machines	196.1	237.7
United States	49.8	48.4
United Kingdom	115.8	150.5
Parts of office machines	730.6	741.6
United States	426.4	450.3
West Germany	143.8	199.0
United Kingdom	31.4	42.9

[1] Not available.

Source: Department of Commerce and Industry, Manila, the Philippines, *Foreign Trade Statistics of the Philippines, 1962* and *1963*.

Table 10.—Philippine Imports of Drugs and Medical Preparations, by Major Supplying Countries, 1962-63

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Vitamins	528.2	239.3
United States	387.9	755.2
Japan	39.3	120.2
Switzerland	43.8	150.8
Penicillin, streptomycin, etc.	1,168.1	1,825.7
United States	987.0	1,490.8
Denmark	18.2	44.2
United Kingdom	13.4	40.1
Hong Kong	50.1	49.0
Cold, cough, and bronchial preparations	39.6	19.4
United States	25.8	0.5
France	8.8	15.7
Hong Kong	3.0	(1)
Analgesics and antipyretics	53.5	50.0
United States	49.0	19.6
France	2.7	13.4
West Germany	1.9	2.9
Opium alkaloids, cocaine, quinine, etc.	133.5	173.8
United States	56.3	54.5
West Germany	20.0	31.4
Hormones	31.0	8.6
United States	30.8	6.5
Glycosides, glands, sera vaccines, and extracts	193.9	104.2
United States	117.6	54.5
West Germany	6.8	4.2
United Kingdom	13.6	14.4
Japan	6.0	8.1
Pharmaceutical goods (cotton, gauze, bandage, etc.)	710.5	981.4
United States	272.4	518.3
Japan	282.4	416.5
Cosmetics, perfume, etc.	47.0	28.3
United States	11.6	17.0
Japan	2.0	0.8
Hong Kong	3.4	7.3

[1] Not available. Source: Department of Commerce and Industry, Manila, the Philippines, *Foreign Trade Statistics of the Philippines, 1962* and *1963*.

Table 11.—Philippine Imports of Photographic Goods and Film, by Major Supplying Countries, 1962-63

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Photographic cameras	49.3	69.9
United States	24.7	47.6
Hong Kong	13.4	6.8
Japan	4.0	8.1
Cinematographic cameras	10.5	9.9
United States	5.9	2.9
Hong Kong	.9	.5
West Germany	3.4	2.6
Cinematographic projectors	23.0	58.4
United States	20.5	47.4
Hong Kong	1.4	1.8
Chemicals and flashlight materials for photography	109.8	145.3
United States	89.5	105.2
Belgium	7.8	17.3
United Kingdom	4.9	7.6

Table 11.—Philippine Imports of Photographic Goods and Film, by Major Supplying Countries, 1962-63 (Continued)

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
X-ray films	238.1	370.7
United States	105.9	120.9
Belgium	57.6	64.7
Japan	34.0	106.0
Graphic art film	113.9	205.2
United States	8.4	79.8
Belgium	85.8	76.2
United Kingdom	8.2	3.4
Cinematographic film in rolls, unexposed	467.4	695.3
United States	370.0	520.9
Belgium	69.9	158.4
Hong Kong	10.4	2.9
Photographic film in rolls, unexposed	37.9	183.2
United States	20.6	70.2
Japan	7.0	37.7
West Germany	4.9	28.0
Sensitized paper, paperboard, not developed	530.9	545.3
United States	176.4	144.8
Japan	177.4	194.2
West Germany	108.9	141.4
Developed cinematographic film	462.8	369.1
United States	323.8	234.6
Hong Kong	49.5	22.3
Italy	34.0	30.1

Source: Department of Commerce and Industry, Manila, the Philippines, *Foreign Trade Statistics of the Philippines, 1962* and *1963*.

Table 12.—Philippine Imports of Machine Tools, by Major Supplying Countries, 1960, 1962-63

[Thousands of U.S. dollars]

Product/Country	Value		
	1960	1962	1963
Metalworking machine tools	362.0	1,583.8	938.2
United States	78.5	359.4	300.5
Japan	64.0	319.5	136.9
United Kingdom	78.5	277.1	149.2
West Germany	92.5	353.0	111.5
Ingot moulds	(1)	129.8	(1)
Japan	(1)	111.6	(1)
Netherlands	(1)	5.9	(1)
Casting machines	232.5[2]	15.3	117.8
United States	83.5	7.3	8.9
Italy	(1)	3.6	(1)
Japan	87.5	4.5	86.4
Rolling mills, etc.	214.0	349.4	624.1
United States	48.5	55.0	6.5
Japan	110.0	261.0	27.5
Sweden	1.5	14.9	2.4
Welding and cutting machines	165.0	272.6	283.2
United States	108.5	158.9	168.1
West Germany	8.0	53.3	16.8
Japan	19.5	17.4	23.0
Bending and forming machines	141.5	18.2	158.4
United States	69.5	5.9	62.0
West Germany	10.0	8.3	24.6
Sweden	5.5	3.0	(3)

Table 12.—Philippine Imports of Machine Tools, by Major Supplying Countries, 1960, 1962-63 (Continued)

[Thousands of U.S. dollars]

Product/Country	Value		
	1960	1962	1963
Hydraulic and pneumatic presses	(1)	14.2	(1)
United States	(1)	8.1	(1)
United Kingdom	(1)	2.4	(1)
Hong Kong	(1)	2.6	(1)

[1]Not available. [2]Includes foreign machines. [3]Less than U.S. $500.

Source: Department of Commerce and Industry, Manila, the Philippines, *Foreign Trade Statistics of the Philippines, 1960, 1962,* and *1963*.

Table 13.—Philippine Imports of Power Generating Machinery, by Major Supplying Countries, 1960, 1962-63

[Thousands of U.S. dollars]

Product/Country	Value		
	1960	1962	1963
Steam generating boilers	395.5	522.2	1,099.0
United States	261.0	455.7	1,032.7
United Kingdom	(1)	48.4	12.0
Japan	60.5	8.8	48.7
Steam engines	264.0	273.1	206.0
United States	238.5	139.2	192.1
Italy	(1)	77.5	(1)
Sweden	.8	46.9	(1)
Diesel engines, marine and stationery	1,904.0	2,579.7	3,823.6
United States	321.5	545.8	1,747.6
West Germany	821.5	775.6	630.1
United Kingdom	558.0	886.9	1,237.2
Gasoline and kerosene engines	260.0	493.0	447.9
United States	266.5	443.2	418.6
Sweden	5.0	26.6	(1)
Automotive and truck engines	252.5	474.8	367.3
United States	38.0	258.0	313.4
West Germany	187.5	87.3	.8
United Kingdom	13.0	72.0	3.7
Japan	8.0	58.0	9.4
Automotive and truck engine parts	1,464.0	1,950.0	2,048.4
United States	1,040.0	1,369.2	1,623.3
West Germany	193.5	161.8	22.8
Japan	99.0	152.1	268.8
United Kingdom	52.5	111.0	50.0
Electric generators	1,139.5	716.5	2,562.8
United States	992.5	454.9	1,518.1
West Germany	40.5	81.4	301.6
Japan	31.5	55.6	200.3
Hong Kong	(1)	52.3	1.3
Electric motors	993.0	1,045.8	1,241.5
United States	554.0	527.3	627.2
West Germany	125.0	101.6	74.6
Japan	25.5	92.7	74.6
United Kingdom	133.0	82.8	246.6
Transformers	1,653.5	1,299.3	1,956.0
United States	1,418.0	1,060.0	1,618.1
West Germany	66.5	55.4	37.4
United Kingdom	12.5	46.7	107.9

[1] Not available.

Source: Department of Commerce and Industry, Manila, the Philippines, *Foreign Trade Statistics of the Philippines, 1960, 1962,* and *1963*.

Table 14.—Philippine Imports of Construction Materials and Equipment, by Major Supplying Countries, 1962-63

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Excavating, leveling, boring machinery	(1)	6,230.1
United States	(1)	2,775.1
Japan	(1)	52.1
United Kingdom	(1)	134.3
Cement, brickmaking machinery	84.3	346.6
United States	9.3	94.5
West Germany	8.3	154.5
Australia	8.8	(2)
Concrete mixers and pavers	165.2	71.7
United States	110.6	63.1
France	31.7	(2)
Australia	5.4	(2)
Hoists, winches, cranes, pulleys, tackles, etc.	2,191.2	4,996.3
United States	1,044.6	3,429.8
Japan	430.1	356.0
Netherlands	252.8	(2)
Cement	265.5	903.1
Denmark	67.3	99.5
France	36.5	36.1
Taiwan	39.3	352.1
Refractory bricks, etc.	1,224.1	1,243.2
United States	543.7	790.8
West Germany	54.1	14.7
Japan	449.0	235.6
United Kingdom	45.2	55.0
Drawn or blown glass, unworked in rectangles	276.4	408.4
Belgium	190.1	174.3
Japan	67.2	60.3
West Germany	14.0	29.1
Cast or rolled glass, unworked in rectangles	268.2	503.4
Belgium	32.6	51.6
Japan	208.7	346.6
France	14.9	25.9
Sanitary and plumbing fixtures, ceramic	979.6	786.6
United Kingdom	641.2	16.0
United States	265.0	447.1
France	40.4	1.8
Sanitary and plumbing fixtures, iron and steel	173.7	199.0
United States	101.8	136.9
Japan	31.8	30.1
Australia	13.5	1.0

[1]Figures comparable with 1963 are not available. [2]Not available.

Source: Department of Commerce and Industry, Manila, the Philippines, *Foreign Trade Statistics of the Philippines, 1962* and *1963*.

Table 15.—Philippine Imports of Automobiles and Trucks, by Major Supplying Countries, 1962-63

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Passenger cars, new, assembled	127.9	513.6
United States	72.9	417.8
West Germany	23.3	17.0
Spain	15.0	7.6
Passenger cars, used	2,564.6	6,910.7
United States	1,967.0	5,964.4
West Germany	145.9	269.9
United Kingdom	91.7	70.7
Japan	85.7	136.9

Table 15.—Philippine Imports of Automobiles and Trucks, by Major Supplying Countries, 1962-63 (Continued)

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Jeeps and similar vehicles	310.7	(1)
United States	274.5	(1)
Guam	22.7	(1)
Japan	12.8	(1)
Station wagons	240.3	(1)
United States	169.1	(1)
Japan	36.2	(1)
Passenger cars, unassembled	6,425.3	11,905.2
France	371.7	705.0
United States	1,658.4	2,786.6
West Germany	2,426.9	3,947.1
United Kingdom	1,391.0	3,535.6
Jeeps, etc., unassembled	217.3	(1)
United States	192.3	(1)
United Kingdom	15.8	(1)
Japan	8.8	(1)
Other passenger cars, unassembled, except station wagons	501.5	(1)
United States	129.6	(1)
West Germany	189.8	(1)
United Kingdom	125.9	(1)
Buses, assembled	38.8	(1)
United States	18.5	(1)
Japan	6.6	(1)
Hong Kong	4.8	(1)
Buses, unassembled	677.1	(1)
United States	296.3	(1)
West Germany	166.6	(1)
United Kingdom	125.8	(1)
Trucks, assembled	4,011.0	11,500,3
United States	3,331.4	6,862.8
Japan	463.1	715.2
France	117.2	130.6
Trucks, unassembled	8,680.0	(1)
United States	5,449.5	(1)
West Germany	1,667.4	(1)
United Kingdom	1,208.3	(1)
Special purpose trucks, vans, etc.	334.0	877.5
United States	121.3	676.7
Italy	57.0	(2)
United Kingdom	46.6	60.7
Japan	37.7	101.0
Road tractors for trailers	3,485.8	(2)
United States	3,180.7	(2)
United Kingdom	81.6	(2)
Japan	79.4	(2)
Chassis with engine mounted	80.2	499.5
United States	8.4	220.7
Japan	66.7	28.0
Truck bodies	468.9	33.8
United States	388.8	3.1
United Kingdom	80.1	30.6
Chassis, with engines, electrical parts	2,364.9	(2)
United States	1,834.9	(2)
West Germany	245.8	(2)
United Kingdom	217.6	(2)
Japan	66.6	(2)

[1] Jeeps and station wagons are included witb passenger cars, wbether new and assembled, used, or unassembled. Buses, wbetber or not assembled, and unassembled lorries and trucks are included witb assembled trucks.

[2] Not available.

Source: Department of Commerce and Industry, Manila, the Pbilippines, *Foreign Trade Statistics of the Philippines, 1962* and *1963*.

Table 16.—Philippine Imports of Textile and Leather Machinery, by Major Supplying Countries, 1962-63

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Fiber processing machinery	153.3	54.2
United States	40.1	20.2
Japan	112.4	34.0
Spinning, extruding machines	2,103.6	1,018.1
United States	422.0	106.5
Switzerland	398.4	48.2
Japan	362.9	488.5
West Germany	319.3	100.5
Weaving, knitting machines	1,116.7	897.9
United States	46.2	186.1
United Kingdom	295.6	227.5
Japan	452.3	232.2
Bleaching, washing, dressing, coating, printing machines	805.5	1,020.9
United States	333.1	32.2
West Germany	239.5	95.3
United Kingdom	80.3	12.6
Japan	60.3	847.1
Parts for textile machinery	4,451.1	3,318.3
United States	1,340.7	932.2
West Germany	1,045.6	390.6
Japan	1,492.4	1,362.3

Table 16.—Philippine Imports of Textile and Leather Machinery, by Major Supplying Countries, 1962-63 (Continued)

[Thousands of U.S. dollars]

Product/Country	Value	
	1962	1963
Tanning machines	13.2	214.9
United States	10.6	8.6
United Kingdom	.6	62.0
Shoemaking machinery	121.6	221.7
United States	22.8	20.7
Netherlands	48.2	26.7
Italy	19.2	64.1
Household sewing machines	33.6	8.6
United States	3.3	1.8
United Kingdom	15.9	3.7
India	9.4	(1)
Industrial sewing machines	108.8	72.0
United States	53.2	36.9
West Germany	30.7	6.0
Parts of sewing machines	1,092.9	2,501.0
United States	87.1	246.6
Japan	420.1	557.3
United Kingdom	498.8	1,359.7

[1]Not available.

Source: Department of Commerce and Industry, Manila, the Philippines, *Foreign Trade Statistics of the Philippines, 1962* and *1963*.

Table 17.—Selected Philippine Economic Indicators, 1959-63

Item		1959	1960	1961	1962	1963
POPULATION (annual growth: 3.2%)	Millions	26.6	27.4	28.3	29.3	30.2
GROSS NATIONAL PRODUCT						
Total GNP, *in current prices*	mill. U.S.$	2,915	3,109	3,444	3,831	[1]4,344
Total GNP, *in 1962 prices*	do	3,332	3,469	3,670	3,831	[1]4,017
Net foreign bal: Inflow (+); out (−)	do	+74	+145	+159	+63	−102
Total available resources	do	3,406	3,614	−3,829	3,894	[1]3,915
Consumption	do		3,150	3,273	3,390	3,352
Private	do		2,821	2,929	3,026	2,978
Government	do		329	344	364	374
Gross investment	do		464	556	504	563
Private	do		368	472	431	479
Government	do		96	84	73	84
Change in total GNP (*1962 prices*)	percent	+6%	+4%	+6%	+4%	+5%
GNP per capita (*1962 prices*)	$	125	127	130	131	[1]133
DOMESTIC FINANCIAL DATA						
Price indexes:						
Wholesale prices: Manila	1958=100	101	106	111	116	128
Cost-of-living: Manila	do	99	103	105	111	117
Cost-of-living: Outside Manila	do	98	103	109	111	122
Money supply index (end of period)	do	106	110	128	147	170
General government finances		(Fiscal year ended June 30)				
Domestic revenues	mill. U.S.$	259	315	352	402	500
Total expenditures	do	295	338	427	425	512
Of which: Defense	do	(44)	(44)	(47)	(44)	(72)
Surplus (+) or deficit (−) before all foreign aid	do	−36	−23	−75	−23	−12

Table 17.—Selected Philippine Economic Indicators, 1959-63 (Continued)

Item		1959	1960	1961	1962	1963
PRODUCTION						
Agricultural production						
Index of agricultural production	1952-54=100	130	135	143	155	[1]161
Index per capita	do	108	110	111	117	[1]118
Rice, rough	1,000 MT[2]	3,740	3,710	3,910	3,970	[1]3,500
Corn, shelled	do	1,170	1,210	1,190	1,190	[1]1,270
Sugar, centrifugal, raw value	do	1,390	1,320	1,470	1,600	[1]1,790
Copra	do	1,000	1,140	1,060	1,390	[1]1,520
Manufacturing						
Production index	1958=100	108	112	119	126	134
Mining						
Production index	1958=100	108	103	110	112	113
Electricity	mill. KWH	2,230	2,760	3,090	3,680	[3]3,950
Per capita	KWH	80	100	110	125	[3]130
PAYMENTS AND RESERVES						
Balance of payments (selected items):						
Balance on goods and services	mill. U.S.$	−74	−145	−159	−63	[3]102
Private direct investment	do	37	29	−56	−3	−3
Central Government grants (net)	do	50	60	20	14	[3]14
Private long-term loan receipts	do	28	50	54	11	n.a.
Central Government loan receipts	do	5	(4)	3	5	34
Reserves (end of period)	do	171	196	108	151	[3]164
Central bank	do	90	120	44	75	[3]110
Other banks	do	81	76	64	76	[3]54
Exchange rates (end of period)						
IMF par value	Pesos per $	2.00	2.00	2.00	2.00	2.00
Hong Kong market	do		3.81	4.53	3.94	3.93
Official "free rate"	do		3.00	3.00	3.91	3.91
TRADE						
Commodity trade						
Exports, f.o.b.	mill. U.S.$	530	560	500	556	727
Imports, f.o.b.	do	524	604	611	587	618
Trade balance	do	+6	−44	−111	−31	+109
Major trading partners:						
Exports to: United States	do	293	284	269	281	331
Japan	do	117	132	125	137	198
Netherlands	do	41	47	34	38	70
Imports from: United States	do	232	255	289	253	254
Japan	do	104	160	109	106	105
Indonesia	do	44	29	19	24	19
Key Exports:						
Coconut products	do	184	178	121	166	242
Sugar, centrifugal	do	113	134	135	122	147
Wood	do	80	92	92	113	153
Major imports:						
Machinery, and transportation equipment	do	149	217	204	190	209
Consumer goods	do	63	84	96	83	94
(Cereals and preparations)	do	(23)	(25)	(49)	(28)	(59)
(Dairy products, eggs, and honey)	do	(19)	(24)	(24)	(31)	(19)
Export prices:						
All exports	1958=100	108	107	98	99	104
Copra	$ per 100 lbs.	10.58	8.17	6.39	6.24	6.99
Sugar	do	5.34	5.31	5.57	5.58	7.32
Terms of trade: Index (Ex. ÷ Im.)	1958=100	106	103	92	92	90
Export price index	do	108	107	98	99	104
Import price index	do	102	104	106	108	115

n.a.—Not available.
[1] Preliminary.
[2] MT (metric ton) equals 2,204.6 pounds.
[3] Estimate.
[4] Negligible.
Source: Compiled by the Agency for International Development from various sources.

Table 18.—Philippine National Income by Industrial Origin, and by Percent Distribution, 1961-63

[At current prices in millions of dollars]

Industry	1961	1962	1963[1]	Percent distribution		
				1961	1962	1963[1]
Agriculture (includes forestry and fishing)	989.2	1,098.6	1,271.5	32.9	33.1	34.0
Mining	53.6	66.9	69.2	1.8	2.0	1.9
Manufacturing	535.9	611.0	691.5	17.8	18.4	18.5
Construction	110.7	106.1	138.7	3.7	3.2	3.7
Trade	361.5	393.1	419.5	12.0	11.8	11.2
Transportation and communication	107.2	115.5	120.2	3.6	3.5	3.2
Services	851.2	931.3	1,026.9	28.3	28.0	27.5
National income	3,009.3	3,322.3	3,737.7	100	100	100

[1] Preliminary figures.

Source: Agency for International Development, Washington, D.C.

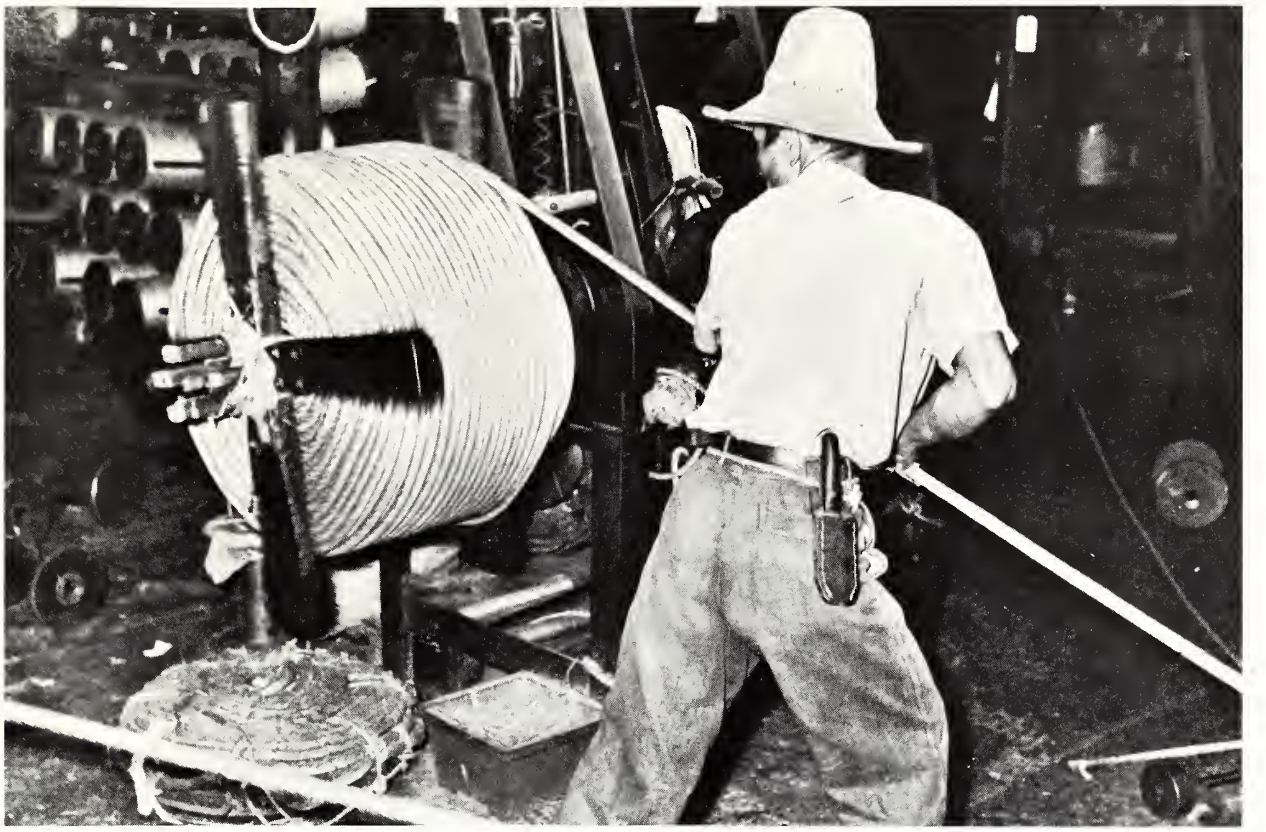
Table 19.—Philippine Trade With Principal Trading Partners, 1952 and 1960-63

[Thousands of U.S. dollars]

Country	1952	1960	1961	1962	1963
	Imports				
Total	421,422	603,870	611,298	586,738	618,190
United States	307,245	255,301	288,679	253,089	253,557
Australia	1,317	7,098	7,781	11,155	15,805
Canada	14,765	13,825	10,778	14,936	17,438
United Kingdom	4,955	22,955	23,882	26,789	31,849
Belgium	3,068	5,202	5,650	6,644	5,551
France	1,857	3,595	8,630	8,664	4,939
Germany, West	3,264	25,443	30,848	32,760	34,117
Italy	3,070	2,617	4,511	5,295	6,156
Netherlands	3,364	9,870	12,810	19,182	16,418
Japan	18,430	159,464	108,455	106,354	104,946
Hong Kong	5,768	5,336	5,083	7,400	6,535
Malaya and Singapore	7,475	14,937	7,281	4,955	4,059
Indonesia	12,244	28,985	19,388	23,878	18,803
Taiwan	236	1,450	3,653	482	3,279
Saudi Arabia	6,710	8,430	16,254	12,293	5,851
	Exports				
Total	345,727	560,389	499,512	556,021	727,106
United States	231,688	284,103	268,696	280,663	330,245
Australia	236	881	1,112	1,385	2,064
Canada	3,839	1,329	1,292	857	1,137
United Kingdom	5,858	11,406	8,025	7,004	8,320
Belgium	8,911	8,566	4,665	1,524	1,966
France	1,842	2,189	1,090	2,215	4,033
Germany, West	3,254	21,107	17,347	30,467	53,348
Italy	5,341	5,643	4,822	4,003	7,591
Netherlands	13,398	46,721	34,021	37,915	69,616
Japan	38,420	131,619	125,080	136,686	198,272
Hong Kong	1,198	2,641	2,395	2,635	2,958
Malaya and Singapore	749	820	783	1,302	895
Indonesia	478	225	69	134	43
Taiwan	695	2,870	4,430	6,034	10,800
Saudi Arabia	(1)	12	7	4	21

[1] Not available.

Source: Central Bank of the Philippines, *Statistical Bulletin*, December 1963.



PHILIPPINE EXPORT: Rope tar the warld's markets is cailed at the Elizalde Rape Factory, Manila.

Table 20.—Philippine Foreign Trade by Major Commodity Groups, 1955, 1960-63

[Thousands of U.S. dollars]

Commodity group	1955	1960	1961	1962	1963
	Exports				
Total	406,488	560,389	499,512	556,021	727,106
Food	132,139	175,110	177,591	174,808	203,395
Beverages and tobacco	4,706	7,573	9,317	12,603	13,116
Crude materials, inedible, except fuels	235,444	341,720	274,378	308,689	426,864
Animal and vegetable oil and fats	23,976	15,668	15,941	31,617	46,811
Chemicals	1,467	1,995	2,119	1,436	1,482
Manufactured goods	8,756	15,884	17,890	23,152	31,773
Machinery and transport equipment	(1)	36	51	291	69
Miscellaneous transactions and commodities	(1)	911	618	601	674
	Imports				
Total	547,734	603,870	611,298	586,738	618,190
Food	102,382	85,407	101,582	87,442	104,616
Beverages and tobacco	15,803	802	504	1,722	2,128
Crude materials, inedible, except fuels	8,613	32,934	37,005	40,726	38,151
Mineral fuels and lubricants	53,828	59,784	49,243	59,711	61,776
Animal and vegetable oils and fats	1,587	2,578	2,670	3,671	3,516
Chemicals	43,889	54,787	61,663	61,155	54,841
Manufactured goods	215,271	147,799	149,951	138,467	136,786
Machinery and transport equipment	104,352	217,196	204,279	189,749	208,991
Miscellaneous transactions and commodities	2,005	2,583	4,402	4,032	7,385

[1] Not available.

Source: Central Bank of the Philippines, Manila, *Statistical Bulletin*, December 1963.

Table 21.—Philippine Imports of Ten Principal Commodity Groups from the World and from Major Suppliers, 1952, 1955, 1961-63

[Thousands of U.S. dollars]

Commodity group	Year	World	United States	Japan	West Germany	United Kingdom	Nether-lands
Transport	1952	21,335	19,917	952	53	126	(1)
	1955	30,249	26,913	1,082	548	1,084	(1)
	1961	58,624	24,248	21,415	4,646	4,127	(1)
	1962	62,872	31,646	12,960	7,354	5,842	(1)
	1963	66,714	28,840	8,964	10,753	8,379	(1)
Electrical machinery, apparatus, appliances	1952	10,962	10,430	242	22	54	108
	1955	21,929	19,049	780	790	211	193
	1961	25,795	16,182	4,263	1,662	1,031	470
	1962	21,530	12,545	4,053	1,219	781	609
	1963	28,655	17,898	4,990	1,283	1,830	646
Dairy products, eggs and honey	1952	18,289	15,542	(1)	(1)	57	1,094
	1955	28,530	19,956	(1)	(1)	51	6,567
	1961	24,225	13,589	(1)	(1)	154	6,216
	1962	31,130	16,725	(1)	(1)	926	9,313
	1963	18,719	6,661	(1)	(1)	1,274	6,343
Cereals and cereal preparations[2]	1952	34,557	10,427	(1)	(1)	(1)	(1)
	1955	36,915	11,158	(1)	(1)	(1)	(1)
	1961	48,715	18,707	(1)	(1)	(1)	(1)
	1962	28,063	14,155	(1)	(1)	(1)	(1)
	1963	58,869	13,600	(1)	(1)	(1)	(1)
Textiles, yarns, fabrics, and made-up articles	1952	77,054	65,642	2,157	(1)	(1)	(1)
	1955	85,318	63,643	12,951	(1)	(1)	(1)
	1961	23,261	13,700	6,395	(1)	(1)	(1)
	1962	26,531	13,523	10,281	(1)	(1)	(1)
	1963	20,833	10,295	8,283	(1)	(1)	(1)
Mineral fuels, lubricants, and related materials[3]	1952	41,827	8,649	(1)	(1)	(1)	(1)
	1955	53,828	9,881	(1)	(1)	(1)	(1)
	1961	49,163	6,756	(1)	(1)	(1)	(1)
	1962	59,782	6,904	(1)	(1)	(1)	(1)
	1963	61,776	6,286	(1)	(1)	(1)	(1)
Machinery, other than electric	1952	31,934	26,199	1,149	716	1,787	49
	1955	52,173	38,953	3,905	2,457	4,395	330
	1961	119,860	63,516	22,920	11,025	9,813	935
	1962	105,344	50,271	18,887	9,368	10,114	2,790
	1963	118,622	64,739	16,245	9,620	9,928	2,356
Base metals	1952	20,817	7,887	8,814	473	673	572
	1955	38,541	15,666	13,507	2,218	1,192	423
	1961	58,832	17,856	26,528	2,147	1,897	524
	1962	50,279	13,164	25,422	1,771	993	201
	1963	53,377	11,252	28,812	2,601	1,408	214
Paper, paperboard, and manufactures thereof	1952	15,551	14,020	148	(1)	(1)	(1)
	1955	19,044	16,434	147	(1)	(1)	(1)
	1961	21,777	17,405	921	(1)	(1)	(1)
	1962	16,457	11,337	1,000	(1)	(1)	(1)
	1963	(1)	(1)	(1)	(1)	(1)	(1)
Textiles fibers not manufactured into thread and yarn	1952	2,332	694	8	(1)	(1)	(1)
	1955	3,464	2,220	63	(1)	(1)	(1)
	1961	22,632	19,149	714	(1)	(1)	(1)
	1962	29,151	20,582	3,472	(1)	(1)	(1)
	1963	25,611	14,571	3,815	(1)	(1)	(1)

[1]Not available. [2]Other major sources, in order of importance, are Canada, Australia, and Thailand. [3]Other major sources, in order of importance, are Indonesia, and Saudi Arabia. [4]In 1963, explosives and chemicals displaced paper and paperboard products on the list. 1963 imports of explosives totaled $18.9 million, of which $9.7 million came from the United States, $3.3 million from Japan, $1.6 million from West Germany, and $1.3 million from the United Kingdom. Source: Central Bank of the Philippines, Manila, the Philippines, *Statistical Bulletin*, December 1963.

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